

CITY OF LEESVILLE, LOUISIANA**Financial Report****Year Ended June 30, 2011**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

JAN 25 2012

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INDEPENDENT AUDITORS' REPORT

The Honorable C. Robert Rose, Mayor
 and Members of the City Council
 City of Leesville, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Leesville, Louisiana, as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The financial statements referred to above include only the primary government of the City of Leesville, Louisiana, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Leesville, Louisiana as of June 30, 2011, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Leesville, Louisiana, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2011 on our consideration of the City of Leesville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the supplementary information on pages 51 through 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management and the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Leesville has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Leesville, Louisiana's financial statements as a whole. The other supplementary information on pages 56 through 104 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 16, 2011

BASIC FINANCIAL STATEMENTS

**GOVERNMENT-WIDE
FINANCIAL STATEMENTS (GWFS)**

CITY OF LEESVILLE, LOUISIANA

Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and interest-bearing deposits	\$ 926,291	\$ 240,255	\$ 1,166,546
Receivables	547,095	378,971	926,066
Due from other governmental agencies	30,617	227,074	257,691
Inventories	132,696	-	132,696
Other assets	37,136	11,134	48,270
Restricted assets:			
Cash and interest-bearing deposits	-	321,555	321,555
Capital assets:			
Land and construction in progress	351,186	502,027	853,213
Capital assets, net	<u>15,333,028</u>	<u>10,936,383</u>	<u>26,269,411</u>
Total assets	<u>17,358,049</u>	<u>12,617,399</u>	<u>29,975,448</u>
LIABILITIES			
Accounts and other payables	428,233	165,621	593,854
Claims payable	160,687	-	160,687
Interest payable	58,519	36,074	94,593
Long-term liabilities:			
Customer deposits payable	-	242,357	242,357
Compensated absences payable	253,951	35,585	289,536
OPEB obligation payable	1,843,991	550,802	2,394,793
Bonds, notes, and leases due within one year	493,742	484,115	977,857
Bonds, notes, and leases due after one year, net	<u>3,598,447</u>	<u>2,663,976</u>	<u>6,262,423</u>
Total liabilities	<u>6,837,570</u>	<u>4,178,530</u>	<u>11,016,100</u>
NET ASSETS			
Invested in capital assets, net of related debt	11,592,025	8,493,653	20,085,678
Restricted for debt service	383,346	-	383,346
Unrestricted (deficit)	<u>(1,454,892)</u>	<u>(54,784)</u>	<u>(1,509,676)</u>
Total net assets	<u>\$ 10,520,479</u>	<u>\$ 8,438,869</u>	<u>\$ 18,959,348</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEESVILLE, LOUISIANA

Statement of Activities
For the Year Ended June 30, 2011

Activities	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities
Governmental activities:						
General government	\$ 674,438	\$ 472,869	\$ 32,031	\$ -	\$ (169,538)	\$ -
Public safety	4,816,006	647,486	474,351	-	(3,694,169)	-
Public works	1,171,974	-	-	-	(1,171,974)	-
Economic development	681,347	268,025	-	-	(413,322)	-
Culture and recreation	603,439	78,865	27,715	-	(496,859)	-
Interest on long-term debt	178,673	-	-	-	(178,673)	-
Total governmental activities	8,125,878	1,467,245	534,097	-	(6,124,536)	-
Business-type activities:						
Sewer	928,801	598,383	-	1,082,779	-	752,361
Water	1,982,148	1,682,038	-	-	-	(300,110)
Total business-type activities	2,910,949	2,280,421	-	1,082,779	-	452,251
Total	\$11,036,827	\$3,747,666	\$ 534,097	\$ 1,082,779	(6,124,536)	(5,672,285)

General revenues:

Taxes -						
Ad valorem taxes, levied for general maintenance				217,533	-	217,533
Ad valorem taxes, levied for street improvements				160,613	-	160,613
Ad valorem taxes, levied for sewer system				-	333,931	333,931
Sales and use taxes, levied for public works and recreation				2,809,232	-	2,809,232
Sales and use taxes, levied for public safety				1,206,729	-	1,206,729
Franchise taxes				542,640	-	542,640
Grants and contributions not restricted to specific programs -						
State sources				22,193	-	22,193
Interest and investment earnings				7,600	1,097	8,697
Miscellaneous				128,061	11,730	139,791
Transfers				539,318	(539,318)	-
Total general revenues and transfers				5,633,919	(192,560)	5,441,359
Change in net assets				(490,617)	259,691	(230,926)
Net assets - July 1, 2010, as restated				11,011,096	8,179,178	19,190,274
Net assets - June 30, 2011				\$10,520,479	\$ 8,438,869	\$18,959,348

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

MAJOR FUND DESCRIPTIONS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Sales Tax Fund

To account for the receipt and use of proceeds of the City's 1% sales and use tax. These taxes are dedicated and used for the purpose of constructing, improving, extending, and maintaining streets, sidewalks, bridges, drains, subsurface drainage, sewers and sewerage disposal works; fire department stations and facilities; and public parks and recreational facilities, and purchased and acquiring the necessary land, equipment and furnishings for any of the aforesaid public works, improvements and facilities.

Public Safety Fund

To account for the receipt and use of proceeds of the City's 1/2% sales and use tax. These taxes are dedicated and used for the purpose of improving, operating, and maintaining the public safety services within the City of Leesville, specifically, to provide funds to acquire necessary police and fire protection equipment and other facilities so as to increase the level of services and protection in the City.

Enterprise Funds

Sewer Fund

To account for the provision of sewerage services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Water Fund

To account for the provision of water services to residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

CITY OF LEESVILLE, LOUISIANA

Balance Sheet - Governmental Funds
June 30, 2011

	General	Sales Tax	Public Safety	Other Governmental	Total
ASSETS					
Cash and interest-bearing deposits	\$ -	\$ 632,503	\$ -	\$ 293,788	\$ 926,291
Receivables -					
Due from other funds	207,724	-	63,075	160,613	431,412
Due from other governmental agencies	3,816	-	13,301	13,500	30,617
Other	154,401	257,981	134,713	-	547,095
Inventories	132,696	-	-	-	132,696
Total assets	<u>\$498,637</u>	<u>\$ 890,484</u>	<u>\$211,089</u>	<u>\$467,901</u>	<u>\$2,068,111</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$180,008	\$ 13,379	\$173,110	\$ -	\$ 366,497
Accrued liabilities	15,952	7,805	37,979	-	61,736
Due to other funds	141,990	270,799	-	18,623	431,412
Claims liability	160,687	-	-	-	160,687
Total liabilities	<u>498,637</u>	<u>291,983</u>	<u>211,089</u>	<u>18,623</u>	<u>1,020,332</u>
Fund balances -					
Restricted for debt service	-	-	-	441,865	441,865
Assigned	-	598,501	-	7,413	605,914
Total fund balances	<u>-</u>	<u>598,501</u>	<u>-</u>	<u>449,278</u>	<u>1,047,779</u>
Total liabilities and fund balances	<u>\$498,637</u>	<u>\$ 890,484</u>	<u>\$211,089</u>	<u>\$467,901</u>	<u>\$2,068,111</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEESVILLE, LOUISIANA

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2011**

Total fund balances for governmental funds at June 30, 2011 \$ 1,047,779

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 303,856	
Construction in progress	47,330	
Buildings and improvements, net of \$4,093,328 accumulated depreciation	7,006,024	
Infrastructure, net of \$15,140,131 accumulated depreciation	6,906,124	
Equipment and vehicles, net of \$4,451,998 of accumulated depreciation	<u>1,420,880</u>	15,684,214

Prepaid expenses at June 30, 2011 37,136

Long-term liabilities at June 30, 2011:

Compensated absences	(253,951)	
OPEB obligation	(1,843,991)	
Bonds payable	(3,165,000)	
Capital leases	(927,189)	
Accrued interest payable	<u>(58,519)</u>	<u>(6,248,650)</u>

Total net assets of governmental activities at June 30, 2011 \$10,520,479

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEESVILLE, LOUISIANA

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2011

	General	Sales Tax	Public Safety	Other Governmental	Total
Revenues:					
Taxes -					
Ad valorem	\$ 217,533	\$ -	\$ -	\$ 160,613	\$ 378,146
Sales	-	2,809,232	1,206,729	-	4,015,961
Franchise	542,640	-	-	-	542,640
Licenses and permits	472,869	-	-	-	472,869
Intergovernmental	26,982	-	474,351	54,957	556,290
Fines and forfeits	-	-	156,383	-	156,383
Charges for services	268,025	78,865	35,079	456,024	837,993
Miscellaneous	107,110	11,627	13,521	3,403	135,661
Total revenues	<u>1,635,159</u>	<u>2,899,724</u>	<u>1,886,063</u>	<u>674,997</u>	<u>7,095,943</u>
Expenditures:					
Current:					
General government	543,043	70,013	-	42,301	655,357
Public safety	-	-	3,424,540	535,073	3,959,613
Public works	897,362	-	-	35,435	932,797
Economic development	229,161	-	-	33	229,194
Culture and recreation	-	456,725	-	-	456,725
Debt service	21,116	-	188,278	460,829	670,223
Capital outlay	49,174	1,528	90,010	-	140,712
Total expenditures	<u>1,739,856</u>	<u>528,266</u>	<u>3,702,828</u>	<u>1,073,671</u>	<u>7,044,621</u>
Excess (deficiency) of revenues over expenditures	<u>(104,697)</u>	<u>2,371,458</u>	<u>(1,816,765)</u>	<u>(398,674)</u>	<u>51,322</u>
Other financing sources (uses):					
Transfers in	947,725	-	2,545,178	53,531	3,546,434
Transfers out	<u>(748,457)</u>	<u>(2,226,453)</u>	<u>-</u>	<u>(32,206)</u>	<u>(3,007,116)</u>
Total other financing sources (uses)	<u>199,268</u>	<u>(2,226,453)</u>	<u>2,545,178</u>	<u>21,325</u>	<u>539,318</u>
Net changes in fund balances	94,571	145,005	728,413	(377,349)	590,640
Fund balances (deficit), beginning, as restated	<u>(94,571)</u>	<u>453,496</u>	<u>(728,413)</u>	<u>826,627</u>	<u>457,139</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ 598,501</u>	<u>\$ -</u>	<u>\$ 449,278</u>	<u>\$ 1,047,779</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEESVILLE, LOUISIANA

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2011**

Total net changes in fund balances at June 30, 2011 per Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 590,640
The change in net assets reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay which is considered expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balances	\$ 139,184
Depreciation expense for the year ended June 30, 2011	<u>(998,771)</u> (859,587)
Principal retirement considered as an expenditure on Statement of Revenues, Expenditures and Changes in Fund Balance	483,734
Difference between interest on long-term debt on modified accrual basis versus interest on long-term debt on the accrual basis	7,816
Excess of compensated absences used over compensated absences earned	186,895
Net OPEB obligation at June 30, 2011 not requiring the use of current economic resources and, therefore, not recorded as a fund expenditure	<u>(900,115)</u>
Total changes in net assets at June 30, 2011 per Statement of Activities	<u>\$ (490,617)</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEBESVILLE, LOUISIANA

**Statement of Assets - Proprietary Funds
June 30, 2011**

	Business -Type Activities - Enterprise Funds		
	Sewer	Water	Total
ASSETS			
Current assets:			
Cash and interest-bearing deposits	\$ 214,343	\$ 25,912	\$ 240,255
Receivables:			
Accounts, net	241,547	137,424	378,971
Due from other governmental agencies	35,714	191,360	227,074
Prepaid items	<u>2,926</u>	<u>2,925</u>	<u>5,851</u>
Total current assets	<u>494,530</u>	<u>357,621</u>	<u>852,151</u>
Noncurrent assets:			
Restricted assets -			
Cash and interest-bearing deposits	35,092	286,463	321,555
Deferred bond issuance costs	5,283	-	5,283
Land and construction in progress	137,036	364,991	502,027
Capital assets, net of accumulated depreciation	<u>7,248,880</u>	<u>3,687,503</u>	<u>10,936,383</u>
Total noncurrent assets	<u>7,426,291</u>	<u>4,338,957</u>	<u>11,765,248</u>
Total assets	<u>7,920,821</u>	<u>4,696,578</u>	<u>12,617,399</u>
LIABILITIES			
Current liabilities:			
Accounts and other payables	67,186	98,435	165,621
General obligation bonds	325,000	-	325,000
Revenue bonds	35,714	85,000	120,714
Notes payable	-	38,401	38,401
Accrued interest payable	<u>13,804</u>	<u>22,270</u>	<u>36,074</u>
Total current liabilities	<u>441,704</u>	<u>244,106</u>	<u>685,810</u>
Noncurrent liabilities:			
Customer deposits payable	-	242,357	242,357
Compensated absences payable	28,130	7,455	35,585
OPEB obligation payable	61,200	489,602	550,802
General obligation bonds	930,000	1,235,000	2,165,000
Revenue bonds payable	40,000	-	40,000
Notes payable	<u>-</u>	<u>458,976</u>	<u>458,976</u>
Total noncurrent liabilities	<u>1,059,330</u>	<u>2,433,390</u>	<u>3,492,720</u>
Total liabilities	<u>1,501,034</u>	<u>2,677,496</u>	<u>4,178,530</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,076,490	2,417,163	8,493,653
Unrestricted (deficit)	<u>343,297</u>	<u>(398,081)</u>	<u>(54,784)</u>
Total net assets	<u>\$ 6,419,787</u>	<u>\$ 2,019,082</u>	<u>\$ 8,438,869</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEESVILLE, LOUISIANA

Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended June 30, 2011

	Business -Type Activities - Enterprise Funds		
	Sewer	Water	Total
Operating revenues:			
Charges for services	\$ 598,383	\$ 1,682,038	\$ 2,280,421
Miscellaneous	-	11,730	11,730
Total operating revenues	<u>598,383</u>	<u>1,693,768</u>	<u>2,292,151</u>
Operating expenses:			
Salaries	168,214	482,097	650,311
Employee benefits	27,986	93,226	121,212
OPEB expense	29,874	238,991	268,865
Operating supplies	58,351	169,780	228,131
Vehicle expense	12,619	26,976	39,595
Utilities and communications	141,313	222,794	364,107
Insurance	69,668	223,528	293,196
Repairs and maintenance	71,565	72,862	144,427
Bad debt	16,975	18,372	35,347
Miscellaneous	48,090	5,077	53,167
Depreciation and amortization	238,381	374,569	612,950
Total operating expenses	<u>883,036</u>	<u>1,928,272</u>	<u>2,811,308</u>
Operating loss	<u>(284,653)</u>	<u>(234,504)</u>	<u>(519,157)</u>
Nonoperating revenues (expenses):			
Interest income	1,038	59	1,097
Ad valorem taxes	333,931	-	333,931
Interest expense	<u>(45,765)</u>	<u>(53,876)</u>	<u>(99,641)</u>
Total nonoperating revenues (expenses)	<u>289,204</u>	<u>(53,817)</u>	<u>235,387</u>
Income (loss) before contributions and transfers	4,551	(288,321)	(283,770)
Contributions	753,120	329,659	1,082,779
Transfers in (out)	<u>40,828</u>	<u>(580,146)</u>	<u>(539,318)</u>
Change in net assets	798,499	(538,808)	259,691
Net assets, beginning	<u>5,621,288</u>	<u>2,557,890</u>	<u>8,179,178</u>
Net assets, ending	<u>\$ 6,419,787</u>	<u>\$ 2,019,082</u>	<u>\$ 8,438,869</u>

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEESVILLE, LOUISIANA

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2011

	Business-Type Activities -Enterprise Funds		
	Sewer	Water	Total
Cash flows from operating activities:			
Receipts from customers	\$ 552,516	\$ 1,677,709	\$ 2,230,225
Payments to suppliers	(377,215)	(795,707)	(1,172,922)
Payments to employees	(193,850)	(575,460)	(769,310)
Other receipts	-	11,730	11,730
Net cash provided (used) by operating activities	<u>(18,549)</u>	<u>318,272</u>	<u>299,723</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	40,828	-	40,828
Transfers to other funds	<u>(42,876)</u>	<u>(580,146)</u>	<u>(623,022)</u>
Net cash used by noncapital financing activities	<u>(2,048)</u>	<u>(580,146)</u>	<u>(582,194)</u>
Cash flows from capital and related financing activities:			
Principal paid on bonds and notes payable	(315,000)	(80,000)	(395,000)
Interest and fiscal charges paid on revenue bonds	(49,338)	(54,208)	(103,546)
Net increase in customer meter deposits	-	4,480	4,480
Proceeds from ad valorem taxes	333,931	-	333,931
Proceeds from grants	753,120	138,299	891,419
Acquisition of property, plant and equipment	<u>(821,899)</u>	<u>(340,742)</u>	<u>(1,162,641)</u>
Net cash used by capital and related financing activities	<u>(99,186)</u>	<u>(332,171)</u>	<u>(431,357)</u>
Cash flows from investing activities:			
Interest earned	<u>1,038</u>	<u>59</u>	<u>1,097</u>
Net decrease in cash and cash equivalents	(118,745)	(593,986)	(712,731)
Cash and cash equivalents, beginning of period	<u>368,180</u>	<u>906,361</u>	<u>1,274,541</u>
Cash and cash equivalents, end of period	<u>\$ 249,435</u>	<u>\$ 312,375</u>	<u>\$ 561,810</u>

(continued)

CITY OF LEESVILLE, LOUISIANA

Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds		
	Sewer	Water	Total
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (284,653)	\$ (234,504)	\$ (519,157)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	236,400	374,569	610,969
Amortization	1,981	-	1,981
Changes in current assets and liabilities:			
Increase accounts receivable	(45,867)	(4,329)	(50,196)
Increase (decrease) in accounts payable	42,640	(52,130)	(9,490)
Increase (decrease) in compensated absences payable	1,076	(4,325)	(3,249)
Increase in OPEB obligation payable	29,874	238,991	268,865
Net cash provided (used) by operating activities	<u>\$ (18,549)</u>	<u>\$ 318,272</u>	<u>\$ 299,723</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:			
Cash and cash equivalents, beginning of period -			
Cash and interest-bearing deposits - unrestricted	\$ 213,552	\$ 549,744	\$ 763,296
Cash and interest-bearing deposits - restricted	154,628	356,617	511,245
Total cash and cash equivalents, beginning of period	<u>368,180</u>	<u>906,361</u>	<u>1,274,541</u>
Cash and cash equivalents, end of period -			
Cash and interest-bearing deposits - unrestricted	214,343	25,912	240,255
Cash and interest-bearing deposits - restricted	35,092	286,463	321,555
Total cash and cash equivalents, end of period	<u>249,435</u>	<u>312,375</u>	<u>561,810</u>
Net decrease	<u>\$ (118,745)</u>	<u>\$ (593,986)</u>	<u>\$ (712,731)</u>

Noncash investing, capital, and financing activities:

The Sewer Fund recorded an amount receivable from the Louisiana Department of Environmental Quality of \$35,714 for bonds issued as of June 30, 2011, for which funds had not yet been received/expended.

The accompanying notes are an integral part of the basic financial statements.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the City of Leesville (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this note.

A. Financial Reporting Entity

The City of Leesville was incorporated by proclamation of the Governor on February 15, 1900. The City operates under the council-administrator form of government, governed by the mayor and a seven-member board. The City is located in the parish of Vernon and has a population of approximately 6,000.

As the municipal governing authority, for reporting purposes, the City of Leesville is considered a separate financial reporting entity. The financial reporting entity consists of (a) the primary government (municipality), (b) organizations for which the primary government is financially accountable, (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and (d) organizations that are closely related to, or financially integrated with the primary government.

Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by Statement No. 39 established criteria for determining which component units should be considered part of the City of Leesville for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the municipality to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the municipality.
2. Organizations for which the municipality does not appoint a voting majority but are fiscally dependent on the municipality.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

3. Organizations for which the reporting entity's financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship if all of the following conditions exist:
 - a. The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents.
 - b. The primary government (or its component units) is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
 - c. The economic resources received or held by an individual organization that the specific primary government (or its component units) is entitled to, or has the ability to otherwise access, are significant to that primary government.
4. Organizations that are closely related to, or financially integrated with the primary government.

The following component units are not presented in the accompanying financial statements:

City Marshal -

The City Marshal is controlled by the City Marshal, who is an independently elected official. The City Marshal is included as part of the operations of the City Court System. The City Court System is fiscally dependent on the City of Leesville for office space and courtrooms.

City Court-

The City Court is controlled by the City Court Judge who is an independently elected official. The City Court is included as part of the operations of the City Court System. The City Court System is fiscally dependent on the City of Leesville for office space and courtrooms and payment of salaries and other operating expenditures.

Complete financial statements for the component units may be obtained at 101 W. Lee Street, Leesville, LA 71446. These primary government financial statements of the City of Leesville do not include the financial data of the component units described above. This component unit financial data is necessary for reporting in conformity with generally accepted accounting principles.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The various funds of the City are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

The major funds of the City are described below:

Governmental Funds -

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

The Sales Tax Special Revenue Fund is used to account for the proceeds of one percent sales and use tax that is legally restricted to expenditures for specific purposes.

The Public Safety Special Revenue Fund is used to account for the proceeds of a ½ cent sales and use tax that is legally restricted to expenditures for specific purposes.

Additionally, the City reports the following fund types:

Special revenue funds

Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specific purposes.

Debt service funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital projects funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

Proprietary Funds -

Proprietary funds are used to account for ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is based upon the determination of net income, financial position, and cash flows. The following are the City's proprietary fund types:

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

Enterprise funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City's enterprise funds are the Sewer Fund and the Water Fund.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Program revenues

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues.

Allocation of indirect expenses

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions, but are reported separately in the Statement of Activities. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

D. Assets, Liabilities and Equity

Cash, interest-bearing deposits, and investments

For purposes of the statement of net assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the City.

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the state of Louisiana, the laws of any other state in the union, or the laws of the United States of America. The City may invest in certificates and time deposits of state banks organized under Louisiana laws and national banks having principal offices in Louisiana.

For the purpose of the proprietary funds statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem and sales and use taxes. Business-type activities report customer's utility service receivables as their major receivables. Uncollectible ad valorem taxes or utility service receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. The allowance for customers' utility receivables was \$78,348 at June 30, 2011. Unbilled utility service receivables resulting from utility services rendered between the date of meter reading and billing and the end of the month, are recorded at year-end.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables."

Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets.

Inventory

Inventories are valued at cost, which approximates market value, using the first-in/first-out (FIFO) method. All inventories are accounted in the General Fund as assets when purchased and recorded as expenditures when consumed. Inventory items consumed by other funds are recorded through the interfund receivable/payable accounts.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2011, are recorded as prepaid items.

Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary funds that are legally restricted as to their use. The restricted assets in the sewer and water utility funds are related to the utility meter deposits and revenue bond accounts.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The City maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Prior to July 1, 2001, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	20-40 years
Equipment and vehicles	5-10 years
Utility system and improvements	25-50 years
Infrastructure	20-40 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of the public improvement bonds payable, revenue bonds payable, compensated absences, net other post employment benefits and utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Compensated Absences

Sick leave is earned at the rate of one day for each month worked, with a limit of twelve days per year. One-third of accumulated sick leave up to 80 days is payable at termination of employment. Vacation leave is earned over a calendar year basis at an amount dependent upon years of service. Accumulated vacation time up to 160 hours is payable at termination of employment.

For fund financial statements, vested or accumulated leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a current fund liability of the governmental fund that will pay it. In the government-wide statements, amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are recorded as long-term debt.

Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

In the fund statements, governmental fund equity is classified as fund balance. Fund balance reports aggregate amounts for five classifications based on the constraints imposed on the use of these resources. As such, fund balances of the governmental funds are classified as follows.

- a. Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. Committed – amounts that can be used only for specific purposes determined by a formal decision of the City's Mayor and Council, which is the highest level of decision-making authority for the Village.
- d. Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.
- e. Unassigned – all other spendable amounts.

When an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the City has provided otherwise in its commitment or assignment actions.

Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds - By Character

Proprietary Fund - By Operating and Nonoperating

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Revenue Restrictions

The City has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Ad valorem taxes	See Note 2
Sales tax	See Note 3
Sewer and sewer revenue	Utility operations

The City uses unrestricted resources only when restricted resources are fully depleted.

G. Budget and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator prepares a proposed operating budget for the fiscal year and submits it to the Mayor and Council not later than May 15th of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted prior to the commencement of the fiscal year for which the budget is being adopted but no later than June 15th of each fiscal year.
5. Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Council.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as amended by the Council. Such amendments were not material in relation to the original appropriations.

H. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

I. Report Reclassifications

Certain previously reported amounts for the year ended June 30, 2010 have been reclassified to conform to the June 30, 2011 classifications.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(2) Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the City in September or October and are actually billed to taxpayers in December. Billed taxes become delinquent on January 1 of the following year. The City bills and collects its own property taxes. Property tax revenues are recognized when levied to the extent that they result in current receivables.

For the year ended June 30, 2011, taxes of 17.76 mills were levied on property with assessed valuations totaling \$39,724,540 and were dedicated as follows:

General maintenance	5.16 mills
Street improvements	4.10 mills
Sewer system	4.25 mills
Sewer District III	<u>4.25 mills</u>
Total	<u>17.76 mills</u>

Total taxes levied were \$705,508. There is no receivable recorded for taxes receivable at June 30, 2011 due to immateriality.

(3) Sales and Use Tax

- A. Proceeds of the 1% sales and use tax levied by the City of Leesville beginning July 1, 2005 (2011 collections \$2,809,232) are dedicated for the following purposes in the following order:

Constructing, improving, extending, and maintaining streets, sidewalks, bridges, drains, subsurface drainage, sewers and sewerage disposal works; fire department stations and facilities; and public parks and recreational facilities, and purchased and acquiring the necessary land, equipment and furnishings for any of the aforesaid public works, improvements and facilities.

- B. Proceeds of the 1/2% sales and use tax levied by the City of Leesville beginning April 1, 2004 (2011 collections \$1,206,729) are dedicated to the following purposes:

For improving, operating, and maintaining the public safety services within the City of Leesville, specifically, to provide funds to acquire necessary police and fire protection equipment and other facilities so as to increase the level of services and protection in the City.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(4) Cash, Interest-Bearing Deposits

Under state law, the City may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The City may invest in direct obligations of the United States government, bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies and/or the United States government, and time certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2011, the City had cash and interest-bearing deposits (book balances) totaling \$1,488,101 as follows

Demand deposits	\$ 313,547
Money market accounts	<u>1,174,554</u>
Total	<u>\$ 1,488,101</u>

These deposits are stated at cost, which approximates market. Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the City's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. Under state law, deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties:

Bank balances	<u>\$ 1,670,236</u>
Insured	\$ 1,000,456
Uninsured and collateral held by pledging bank not in City's name	<u>669,780</u>
Total	<u>\$ 1,670,236</u>

Pledged securities in the amount of \$669,780 were exposed to custodial credit risk. These securities include uninsured or unregistered investments for which the securities are held by the bank, or by its trust department or agent, but not in the City's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the City that the fiscal agent has failed to pay deposited funds upon demand. The City does not have a policy for custodial credit risk

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(5) Receivables

Receivables at June 30, 2011 of \$926,066 consist of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts, net	\$ -	\$ 111,694	\$ 111,694
Unbilled utility	-	267,277	267,277
Sales tax	385,046	-	385,046
Franchise tax	101,209	-	101,209
Licenses and permits	40,319	-	40,319
Other	20,521	-	20,521
Totals	<u>\$ 547,095</u>	<u>\$ 378,971</u>	<u>\$ 926,066</u>

(6) Due from Other Governmental Units

Amounts due from other governmental units of \$257,691 at June 30, 2011 consisted of the following:

Governmental activities:

State of Louisiana - beer tax revenues receivable	\$ 3,816
State of Louisiana Division of Historic Preservation - Main Street Program	13,500
Department of Justice - COPS Hiring Recovery Program	13,301

Business-type activities:

State of Louisiana - water & sewer line extension grant	
Louisiana Department of Environmental Quality -	191,360
amount due for purchase of Sewer Revenue Bonds (see Note 10)	<u>35,714</u>
Total	<u>\$ 257,691</u>

(7) Restricted Assets

Restricted assets in the Enterprise Sewer and Water Funds consisted of the following at June 30, 2011:

Customers' deposits	\$ 242,357
Revenue bond reserve and sinking funds	<u>79,198</u>
Total enterprise utility fund restricted assets	<u>\$ 321,555</u>

CITY OF LEESVILLE, LOUISIANA
Notes to Financial Statements (Continued)

(8) Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance 07/01/10	Additions	Deletions	Balance 06/30/11
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 303,856	\$ -	\$ -	\$ 303,856
Construction in progress	32,767	47,330	32,767	47,330
Other capital assets:				
Buildings and improvements	11,099,352	-	-	11,099,352
Equipment and vehicles	5,781,024	91,854	-	5,872,878
Infrastructure	22,013,488	32,767	-	22,046,255
Totals	<u>39,230,487</u>	<u>171,951</u>	<u>32,767</u>	<u>39,369,671</u>
Less accumulated depreciation				
Buildings and improvements	3,808,040	285,288	-	4,093,328
Equipment and vehicles	4,111,254	340,744	-	4,451,998
Infrastructure	14,767,392	372,739	-	15,140,131
Total accumulated depreciation	<u>22,686,686</u>	<u>998,771</u>	<u>-</u>	<u>23,685,457</u>
Governmental activities, capital assets, net	<u>\$ 16,543,801</u>	<u>\$ (826,820)</u>	<u>\$ 32,767</u>	<u>\$ 15,684,214</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 157,249	\$ -	\$ -	\$ 157,249
Construction in progress	61,431	1,141,630	858,283	344,778
Other capital assets:				
Plant and system	20,126,521	871,408	-	20,997,929
Equipment and vehicles	500,761	7,887	-	508,648
Totals	<u>20,845,962</u>	<u>2,020,925</u>	<u>858,283</u>	<u>22,008,604</u>
Less accumulated depreciation				
Plant and system	9,502,924	591,715	-	10,094,639
Equipment and vehicles	456,301	19,254	-	475,555
Total accumulated depreciation	<u>9,959,225</u>	<u>610,969</u>	<u>-</u>	<u>10,570,194</u>
Business-type activities, capital assets, net	<u>\$ 10,886,737</u>	<u>\$ 1,409,956</u>	<u>\$ 858,283</u>	<u>\$ 11,438,410</u>

(continued)

CITY OF LEESVILLE, LOUISIANA
Notes to Financial Statements (Continued)

(8) Capital Assets (Continued)

Depreciation expense was charged to governmental activities as follows:

General government	\$ 6,446
Public safety	271,887
Public works	180,213
Economic development	428,466
Culture and recreation	<u>111,759</u>
Total depreciation expense	<u>\$ 998,771</u>

Depreciation expense was charged to business-type activities as follows:

Sewer	\$ 236,400
Water	<u>374,569</u>
Total depreciation expense	<u>\$ 610,969</u>

(9) Accounts and Other Payables

The accounts and other payables consisted of the following at June 30, 2011:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Accounts payable	\$ 320,832	\$ 84,471	\$ 405,303
Salaries payable	61,736	14,286	76,022
Payroll tax and employee benefits payable	45,665	-	45,665
Contracts and retainage payable	<u>-</u>	<u>66,864</u>	<u>66,864</u>
Totals	<u>\$ 428,233</u>	<u>\$ 165,621</u>	<u>\$ 593,854</u>

CITY OF LEESVILLE, LOUISIANA
Notes to Financial Statements (Continued)

(10) Changes in Long-Term Debt

The following is a summary of bonds, notes payable, capital leases and compensated absences transactions of the City for the year ended June 30, 2011:

	Balance 7/1/2010	Additions	Deletions	Balance 6/30/2011	Amount due in one year
Revenue bonds	\$ 4,218,834	\$ -	\$ 978,120	\$ 3,240,714	\$ 270,714
General obligation bonds	3,070,000	-	495,000	2,575,000	515,000
Note payable	497,377	-	-	497,377	38,401
Capital leases	1,085,923	-	158,734	927,189	153,742
Compensated absences	479,380	-	189,844	289,536	-
OPEB obligation	1,225,813	1,168,980	-	2,394,793	-
	<u>\$ 10,577,327</u>	<u>\$ 1,168,980</u>	<u>\$ 1,821,698</u>	<u>\$ 9,924,609</u>	<u>\$ 977,857</u>

Bonds payable at June 30, 2011 are comprised of the following individual issues:

Governmental activities:

General obligation bonds:

\$255,000 Excess Revenue Refunding Bonds, Series 2002A, due in annual installments of \$20,000 - \$30,000 through August 1, 2012; interest at 4.95 percent, secured by excess annual revenues of the General Fund \$ 60,000

\$375,000 Excess Revenue Refunding Bonds, Series 2002B, due in annual installments of \$30,000 - \$50,000 through August 1, 2012; interest at 0.10 - 6.50 percent, secured by excess annual revenues of the General Fund 95,000

\$1,800,000 General Obligation Bonds, Series 2004, due in annual installments of \$85,000 - \$165,000 through February 1, 2019; interest at 4.40 - 3.63 percent, secured by ad valorem tax collections 1,125,000

1,280,000

Revenue bonds:

\$2,500,000 Sales Tax Revenue Public Improvement Bonds, Series 2005 due in annual installments of \$75,000 - \$230,000 through August 1, 2020; interest at 3.10 - 4.25 percent; secured by sales tax collections 1,885,000

Total bonds applicable to governmental activities \$ 3,165,000

(continued)

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(10) Changes in Long-Term Debt (Continued)

Business-type activities

General obligation bonds:

\$320,000 Excess Revenue Refunding Bonds, Series 2002C, due in annual installments of \$25,000 - \$40,000 through August 1, 2012; interest at 0.10 - 5.50 percent, secured by excess annual revenues of the Sewer Fund \$ 75,000

\$4,710,000 General Obligation Bonds, Series, 1995 of the City of Leesville and General Obligation Bonds, Series 1995 of Sewer District No. 3, due in annual installments of \$190,000 - \$320,000 through March 15, 2015; interest at 2.45 percent, secured by ad valorem tax collections 1,220,000

1,295,000

Revenue bonds:

\$1,550,000 Water Improvement Bond, Series 2007, due in annual installments of \$75,000 - \$140,000 through August 1, 2022; interest at 0.10 - 4.70 percent; secured by Water Fund revenues 1,320,000

\$850,000 Sewer Revenue Bond, Series 2009, non-interest bearing bonds for the purpose of acquiring, constructing, and installing improvements, extensions and additions to the sewerage system of the City. The bonds were sold to the Louisiana Department of Environmental Quality, Municipal Facilities Revolving Loan Fund (the "Department"). The City's obligation to repay the principal of the bonds will be forgiven simultaneously with the payment by the Department of each installment of the purchase price of the bonds. At the time of the debt forgiveness, these amounts are recognized as grant revenue. 35,714

1,355,714

Total bonds applicable to business-type activities \$ 2,650,714

Capital leases payable at June 30, 2011:

	Original Amount	Maturity Date	Interest Rates	Balance Outstanding
Police equipment	\$ 159,583	09/01/12	6.10%	\$ 35,791
Fire equipment	666,583	04/25/28	4.98%	596,523
Public works equipment	55,967	05/05/13	4.00%	14,818
Police vehicles	392,000	01/25/15	4.10%	280,057
	<u>\$ 1,274,133</u>			<u>\$ 927,189</u>

(continued)

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(10) Changes in Long-Term Debt (Continued)

Annual debt service requirement of bonds outstanding are as follows:

Year ending June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>Principal payments</u>	<u>Interest payments</u>	<u>Principal payments</u>	<u>Interest payments</u>	<u>Principal payments</u>	<u>Interest payments</u>
2012	\$ 340,000	\$ 120,095	\$ 445,714	\$ 92,110	\$ 785,714	\$ 212,205
2013	365,000	105,461	430,000	79,293	795,000	184,754
2014	295,000	92,421	405,000	66,449	700,000	158,870
2015	310,000	81,328	415,000	53,979	725,000	135,307
2016	330,000	69,581	100,000	40,758	430,000	110,339
2017-2021	1,525,000	149,206	580,000	132,748	2,105,000	281,954
2022-2023	-	-	275,000	13,009	275,000	13,009
Total	<u>\$ 3,165,000</u>	<u>\$ 618,092</u>	<u>\$ 2,650,714</u>	<u>\$ 478,346</u>	<u>\$ 5,815,714</u>	<u>\$ 1,096,438</u>

Annual debt service requirements to maturity for the capital leases are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 155,742	\$ 41,327	\$ 197,069
2013	107,724	35,224	142,948
2014	112,438	30,511	142,949
2015	65,515	26,118	91,633
2016	30,624	24,355	54,979
2017 - 2021	178,188	97,006	275,194
2022 - 2026	226,840	48,054	274,894
2027	50,118	2,608	52,726
	<u>\$ 927,189</u>	<u>\$ 305,203</u>	<u>\$ 1,232,392</u>

Leased equipment and vehicles under capital lease in capital assets at June 30, 2011 include the following:

Equipment and vehicles	\$ 1,344,375
Less: Accumulated depreciation	<u>(511,786)</u>
Total	<u>\$ 832,589</u>

Amortization of leased equipment and vehicles under capital assets is included with depreciation expense.

(continued)

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(10) Changes in Long-Term Debt (Continued)

Notes Payable:

On July 23, 2003, the City entered into an agreement with the Louisiana Department of Transportation and Development for utility relocation assistance funding. Issuance of future permits to the City by the Louisiana Department of Transportation and Development for location of additional longitudinal facilities within any state owned right of way is contingent upon repayment of this funding. The City must show a good faith effort to repay the debt by making annual payments to the Department of Transportation and Development of 5% of its gross income or 10% of its outstanding utility relocation assistance funding debt. The first payment must be made within one year of the date of invoicing to the City by the Department of Transportation and Development, and issuance of permits will remain suspended until the first payment is made. The City's payments are due by January 15th of each year. As of June 30, 2011, the City incurred \$535,778 in funding from this agreement. The relocation project was completed and had final inspection on July 13, 2010.

(11) Flow of Funds: Restrictions on Use

Business-type activities:

Sewer Fund –

A. General Obligation Bonds, Series 1995

Under the terms of the \$4,710,000 General Obligation Bonds, Series 1995 of the City of Leesville and General Obligation Bonds, Series 1995 of the Sewer District No. 3 of the City of Leesville, the City shall levy and collect annually ad valorem taxes pursuant to a special election held on November 8, 1997, in an amount sufficient to pay, when due, the principal and interest on the bonds. The tax shall be expended only for the purpose of paying promptly when due the principal and interest on the bonds.

General Obligation Bond Sinking Fund

The City is required to establish a separately identifiable fund or account to be designated the General Obligation Bond Sinking Fund. All monies from the collection of the ad valorem taxes shall be used solely to pay principal and interest on the bonds.

Sewer System Renewal and Replacement Fund

The City is required to establish a separately identifiable fund or account to be designated the Sewer System Renewal and Replacement Fund. The City is required to set aside into this fund, on or before the 20th day of each month of each year, beginning no later than the first full month after the loan closing, an amount equal to 5% of net revenues collected in the prior calendar month until the balance in the renewal and replacement fund equals to \$75,000. All monies in the renewal and replacement fund may be drawn on and used by the System for the purpose of paying the costs of any unusual and extraordinary maintenance and any improvements to the System, which will either enhance its revenue producing capacity or provide a higher degree of service. At June 30, 2011, the account balance was \$26,382, which was less than the required balance.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

B. Excess Revenue Refunding Bonds, Series 2002C

Under the terms of the \$320,000 Excess Revenue Refunding Bonds, Series 2002C, the City will maintain an excess revenue bond sinking fund in an amount to pay promptly and fully the principal of and interest on the bonds by transferring monthly payments on or before the 20th day of each month commencing in August 2002 a sum equal to 1/6th of the next interest payment due and 1/12th of the next principal due.

During the year ended June 30, 2011, the monthly sinking fund transfers were not made timely or in full as required by the agreement. At June 30, 2011, the account balance was \$-0-, which was less than the required balance.

Water Fund –

Water Improvement Bond, Series 2007

Under the terms of the \$1,550,000 Water Improvement Bonds, Series 2007, the City is required to maintain an excess revenue bond sinking fund in an amount to pay promptly and fully the principal of and interest on the bonds by transferring monthly payments on or before the 20th day of each month commencing in August 2002 a sum equal to 1/6th of the next interest payment due and 1/12th of the next principal due.

During the year ended June 30, 2011, the monthly sinking fund transfers were not made timely as required by the agreement. At June 30, 2011, the account balance was \$-0-, which was less than the required balance.

Governmental Activities:

A. Excess Revenue Refunding Bonds, Series 2002A and B

Under the terms of the \$255,000 Excess Revenue Refunding Bonds, Series 2002A and the \$375,000 Excess Revenue Refunding Bonds, Series 2002B, the City will maintain an excess revenue bond sinking fund in an amount to pay promptly and fully the principal of and interest on the bonds by transferring monthly payments on or before the 20th day of each month commencing in August 2002 a sum equal to 1/6th of the next interest payment due and 1/12th of the next principal due.

During the year ended June 30, 2011, the monthly sinking fund transfers were not made timely or in full as required by the agreement. At June 30, 2011, the account balance was \$2,103, which was less than the required balance.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

B. Sales Tax Revenue Public Improvement Bonds, Series 2005

Under the terms of the \$2,500,000 Sales Tax Revenue Public Improvement Bonds, Series 2005, the City will maintain a sales tax bond sinking fund sufficient in amount to pay promptly and fully the principal of and interest on the bonds by transferring from the sales tax fund monthly payments on or before the 20th day of each month commencing August 2005 a sum equal to 1/6th of the next interest payment due and 1/12th of the next principal payment due.

The City is also required to establish a sales tax bond reserve fund by transferring, immediately upon delivery of the bonds from bond proceeds, a sum equal to the lesser of (1) 10% of the original principal proceeds of the bonds or (2) the highest combined principal and interest requirements for any succeeding bond year on the bonds.

During the year ended June 30, 2011, the monthly sinking fund transfers were not made in full as required by the agreement. The City has not established separate bank accounts for the sales tax bond sinking fund and the sales tax bond reserve fund. One bank account is being used that contains the deposits for both the sales tax bond sinking fund and the sales tax reserve fund. At June 30, 2011 the account balance was \$253,360, which was less than the required balance.

(12) Post Retirement Health Care and Life Insurance Benefits

From an accrual accounting perspective, the cost of postemployment healthcare benefits should be associated with the periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2010, the City began to recognize the cost of postemployment healthcare in the year when employee services are received, to report the accumulated liability from prior years, and to provide information useful in assessing potential demands on the City's future cash flows. Because the City adopted the requirements of GASB Statement No. 45 prospectively, recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2010 liability.

Plan Description: Employees who retire from the City with twenty (20) years of service, regardless of age, are eligible to continue health insurance coverage upon retirement. The plan is a single-employer defined benefit health care plan administered by the City. The City has the authority to establish and amend the benefit provisions of the plan. The plan does not issue a publicly available financial report.

Funding Policy: The City and retiree contribute the same percentage (approximately 78% and 22%, respectively) of the cost of the premiums for health insurance coverage. Claims paid by the City on behalf of retirees are recognized as an expenditure when incurred. The benefits are financed on a pay-as-you-go basis.

Annual OPEB Cost: The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The amortization of the unfunded actuarial accrued liability is calculated assuming 30 level annual payments.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the district's net OPEB obligation:

Annual required contribution	\$ 1,385,765
Interest on net OPEB obligation	49,033
Adjustment to annual required contribution	<u>(70,889)</u>
Annual OPEB cost (expense)	1,363,909
Contributions made	<u>(194,929)</u>
Increase in net OPEB obligation	1,168,980
Net OPEB obligation - beginning of year	<u>1,225,813</u>
Net OPEB obligation - end of year	<u>\$ 2,394,793</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2010	\$ 1,385,765	11.54%	\$ 1,225,813
6/30/2011	1,363,909	14.29%	2,394,793

The net OPEB benefit payable balance of \$2,394,793 is included in the statement of net assets in noncurrent liabilities. Of this amount, \$1,843,991 is applicable to governmental activities and \$550,802 is applicable to business-type activities.

Fiscal year 2010 was the year of implementation of GASB Statement No. 45 and the City elected to implement prospectively. Therefore, only two years of data is available. In future years, three-year trend information will be presented.

Funded Status and Funding Progress: The funded status of the plan as of July 1, 2009, was as follows:

Actuarial accrued liability (AAL)	\$ 11,501,955
Actuarial valuation of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 11,501,955</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 3,692,371
UAAL as a percentage of covered payroll	312%

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results are based on values which the City's actuarial consultant believes are reasonable assumptions, the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may actually be. Deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because 2010 was the year of implementation of GASB Statement No. 45 and the City elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2009 actuarial valuation, the unit credit actuarial cost method was used. The significant actuarial assumptions used in the valuation of the plan are as follows:

1. Discount rate for valuing liabilities: 4.0% per annum, compounded annually.
2. Retirement rates - (Rates are the same for both male and female.)

Age	Rate
46 - 49	16.0%
50 - 54	7.0%
55 - 64	16.0%
65	26.0%

3. Mortality rates - Healthy lives: RP-2000 projected to 2010 using scale AA.
4. 100% of employees who elect medical and prescription drug coverage while in active employment and who are eligible for retiree medical benefits are assumed to elect continued medical/prescription drug coverage in retirement.
5. 80% of future retirees are assumed to be married at retirement. Females are assumed to be three years younger than males, for active employees. Actual data was used for current retirees.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

6. Medical and prescription drug inflation (trend assumption)

<u>Year</u>	<u>Trend</u>
2009	7.8%
2010	7.3%
2011	6.6%
2012-2015	6.1%
2016-2019	6.0%
2020-2025	5.9%
2026-2031	5.8%
2032-2033	5.7%
2034	5.6%
2035-2036	5.5%
2037-2038	5.4%
2039-2041	5.3%
2042-2046	5.2%
2047-2053	5.1%
2054-2062	5.0%
2063-2075	4.9%
2076	4.8%
2077-2078	4.6%
2079-2084	4.5%
2085 +	4.4%

(13) Employee Retirement

Substantially all employees of the City are members of the following statewide retirement systems: Municipal Employees Retirement System of Louisiana, Municipal Police Employees Retirement System of Louisiana, or Firefighters Retirement System of Louisiana. These systems are cost-sharing, multiple-employer defined benefit pension plans administered by separate boards of trustees. Pertinent information relative to each plan follows:

A. Municipal Employees Retirement System of Louisiana (System)

Plan Description - The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the municipality are members of Plan A.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from municipal funds and all elected municipal officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (225) 925-4810.

Funding Policy - Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 14.25% of annual covered payroll. Contributions to the System also include one-fourth of 1% (except Orleans and East Baton Rouge parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ending June 30, 2011, 2010, and 2009 were \$138,758, \$106,020, and \$130,347, respectively, equal to the required contributions for each year.

B. Municipal Police Employees Retirement System of Louisiana (System)

Plan Description - All full-time police department employees engaged in law enforcement are required to participate in the System. Employees who retire at or after age 50 with at least 20 years of creditable service or at or after age 55 with at least 12 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service. Final average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Police Employees Retirement System of Louisiana, 8401 United Plaza Boulevard, Baton Rouge, Louisiana 70809-2250, or by calling (225) 929-7411.

Funding Policy - Plan members are required by state statute to contribute 7.5% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 25% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ending June 30, 2011, 2010, and 2009 were \$73,074, \$36,668, and \$33,065, respectively, equal to the required contributions for each year.

C. Firefighters' Retirement System of Louisiana

Plan Description - Membership in the Louisiana Firefighters' Retirement System is mandatory for all full-time firefighters employed by a municipality, parish, or fire protection district that did not enact an ordinance before January 1, 1980, exempting itself from participation in the System. Employees are eligible to retire at or after age 55 with at least 12 years of creditable service or at or after age 50 with at least 20 years of creditable service. Upon retirement, members are entitled to a retirement benefit, payable monthly for life, equal to 3 1/3% of their final-average salary for each year of creditable service, not to exceed 100% of their final-average salary. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least 12 years of service and do not withdraw their employee contributions may retire at or after age 55 (or at or after age 50 with at least 20 years of creditable service at termination) and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Firefighters' Retirement System, Post Office Box 94095, Baton Rouge, Louisiana 70804, or by calling (225) 925-4060.

Funding Policy - Plan members are required by state statute to contribute 8.0% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The current rate is 21.5% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by state statute. As provided by R.S. 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The City's contributions to the System for the years ending June 30, 2011, 2010, and 2009 were \$92,251, \$62,914, and \$53,049, respectively, equal to the required contributions for each year.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

D. Defined Contribution Plan

The City sponsored a defined contribution pension plan (the Plan) to provide benefits at retirement to all full-time employees who elect to participate. Nationwide Retirement Solutions administers the Plan which was terminated by the City as of December 1, 2011. During the year ended June 30, 2011 there were 5 participants; however, 4 of these participants were terminated before June 30, 2011 and 1 employee became eligible for and transferred to another plan prior to June 30, 2011. At June 30, 2011, there were no active participants remaining in the Plan. Plan members were required to contribute 5% of their covered salary. The City was required to contribute 9% of the participant's covered salary. Plan provisions and contribution requirements are established by and may be amended by the City Council. The City's contribution to the Plan amounted to \$11,403 for the year ending June 30, 2011.

E. Social Security System

Employees of the City of Leesville who are not eligible to participate in any other retirement system are members of the Social Security System. The City and its employees contribute a percentage of each employee's salary to the System (7.65 percent contributed by the City; 7.65 percent contributed by the employee). The City's contributions during the years ending June 30, 2011 amounted to \$274,648.

(14) Litigation and Claims

At June 30, 2011, the City of Leesville was a defendant in several lawsuits. The City's legal counsel has reviewed the claims and lawsuits, in order to evaluate the likelihood of an unfavorable outcome to the City and to arrive at an estimate, if any, of the amount or range of potential loss to the City not covered by insurance. As a result of the review, there are no claims and lawsuits which might result in a liability to the City which are not considered coverable by insurance.

(15) Risk Management

A. Commercial Insurance Coverage

The City is exposed to risks of loss in the areas of health care, general and auto liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

B. Group Self-Insurance

The City has established a self-insurance health plan to account for and finance its uninsured risk of loss for commercial group health insurance. The plan is administered by Insurance Management Administrators, and the plan year ends on October 31 of each year. Under this plan, Gerber Life Insurance Company agreed to reimburse the City for specific incurred claims related to any one covered employee or dependent which exceeds the retention by the City, which is \$50,000. Monthly payments are calculated based on the number of employees with single coverage

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

multiplied by a funding factor of \$521 and the number of employees with family coverage multiplied by a funding factor of \$1,364. The City currently funds the plan based upon the funding factors discussed above. The City also funds actual claims incurred in excess of any aggregate retained in the plan.

The claims liability of \$160,687 reported at June 30, 2011 is based on the loss that is probable at the date of the financial statements and the amount of the loss that can be reasonably estimated. The City currently does not discount its claims liabilities.

Changes in the claims liability balance for the group health insurance plan are as follows:

	2011	2010
Claims liability, beginning	\$ 258,589	\$ 203,202
Current year claims and changes in estimates	854,692	922,169
Benefit payments and claims	(952,594)	(866,782)
Claims liability, ending	<u>\$ 160,687</u>	<u>\$ 258,589</u>

Claims payable of \$160,687 at June 30, 2011 was determined as follows:

A. Claims incurred prior to June 30, 2011 and paid in July 1, 2011 through September 30, 2011	\$ 54,903
B. Provision for claims reported but not processed	7
C. Provision for claims incurred but not reported	<u>105,777</u>
Total claims payable	<u>\$ 160,687</u>

The provision for claims incurred but not reported of \$105,777 was calculated utilizing historical information adjusted for current trends.

CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(16) Compensation of City Officials

A detail of compensation paid to the Mayor and Board of Aldermen for the year ended June 30, 2011 follows:

C. Robert Rose	\$ 11,708
Council Members:	
Willie Mae Kennedy	7,830
Milton D. Dowd	7,540
William M. Elliott	7,830
Patricia Martinez	7,366
Joseph P. McKee	7,337
Alice F. Guess	7,540
Total	<u>\$ 57,151</u>

(17) Interfund Receivables/Payables

A. A summary of interfund receivables and payables at June 30, 2011:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Major governmental funds:		
General Fund	\$ 207,724	\$ 141,990
Sales Tax Fund	-	270,799
Public Safety Fund	63,075	-
Non major governmental funds:		
Vernon Communication District	-	5,123
Mainstreet Program Fund	-	13,500
2004 GOB Street Improvements	<u>160,613</u>	<u>-</u>
Total	<u>\$ 431,412</u>	<u>\$ 431,412</u>

The amounts due to the Sales Tax Fund to various other funds are for short-term loans.

CITY OF LEESVILLE, LOUISIANA
Notes to Financial Statements (Continued)

B. Transfers consisted of the following at June 30, 2011:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major governmental funds:		
General Fund	\$ 947,725	\$ 748,457
Sales Tax Fund	-	2,226,453
Public Safety Fund	2,545,178	-
Non major governmental funds:		
Vernon Communication District	-	3,841
Mainstreet Program Fund	2,636	-
OEA Grant	4,542	-
Sales Tax Sinking Fund	38,079	-
2002 Certificates of Indebtedness	1,485	28,365
Airport Constsruction	6,659	-
LCDBG Economic Development	2	-
2005 P.I. Sales Tax Bonds	128	-
Total governmental funds	3,546,434	3,007,116
Proprietary funds:		
Sewer Fund	40,828	-
Water Fund	-	580,146
Total proprietary funds	40,828	580,146
Total	<u>\$ 3,587,262</u>	<u>\$ 3,587,262</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

(18) Excess of Expenditures Over Appropriations

The following fund incurred expenditures in excess of appropriations in the following amounts for the year ended June 30, 2011:

Public Safety Fund	\$ 280,069
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CITY OF LEESVILLE, LOUISIANA

Notes to Financial Statements (Continued)

(19) Prior Period Adjustment

Certain errors resulting in an overstatement of previously reported contracts and retainage payable were discovered during the current year. Accordingly, an adjustment of \$269,955 was made at June 30, 2011 to reduce contracts and retainage payable as of the beginning of the year and increase previously reported fund balance as shown below.

Major governmental fund:

General Fund -

Fund balance (deficit), previously reported	\$ (364,526)
Prior period adjustment	<u>269,955</u>
Fund balance (deficit), as restated	<u>(94,571)</u>

The error described above also resulted in an overstatement of previously reported infrastructure capital assets in Governmental Activities. Accordingly, an adjustment at June 30, 2011 of \$227,547 was made to reduce capital assets; \$1,422 to reduce accumulated depreciation and \$43,830 to increase previously reported net assets as shown below.

Governmental activities:

Net assets, previously reported	\$ 10,967,266
Prior period adjustment	<u>43,830</u>
Net assets, as restated	<u>11,011,096</u>

(20) Subsequent Event Review

The City's management has evaluated subsequent events through December 16, 2011, the date which the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF LEESVILLE, LOUISIANA
General Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 746,085	\$ 711,085	\$ 760,173	\$ 49,088
Licenses and permits	442,065	457,065	472,869	15,804
Intergovernmental	21,780	23,000	26,982	3,982
Charges for services	155,155	161,722	268,025	106,303
Miscellaneous	99,360	98,855	107,110	8,255
Total revenues	<u>1,464,445</u>	<u>1,451,727</u>	<u>1,635,159</u>	<u>183,432</u>
Expenditures:				
Current:				
General government:				
General and administrative	617,584	514,755	431,733	83,022
Executive	94,347	94,716	77,573	17,143
Legal	22,358	38,520	33,737	4,783
Public works	891,098	893,327	897,362	(4,035)
Economic development	182,617	165,717	229,161	(63,444)
Debt service	-	-	21,116	(21,116)
Capital outlay	<u>17,111</u>	<u>72,000</u>	<u>49,174</u>	<u>22,826</u>
Total expenditures	<u>1,825,115</u>	<u>1,779,035</u>	<u>1,739,856</u>	<u>39,179</u>
Deficiency of revenues over expenditures	<u>(360,670)</u>	<u>(327,308)</u>	<u>(104,697)</u>	<u>222,611</u>
Other financing sources (uses):				
Transfers in	572,569	539,207	947,725	408,518
Transfers out	<u>(117,328)</u>	<u>(117,328)</u>	<u>(748,457)</u>	<u>(631,129)</u>
Total other financing sources (uses)	<u>455,241</u>	<u>421,879</u>	<u>199,268</u>	<u>(222,611)</u>
Excess of revenues and other sources over expenditures and other uses	94,571	94,571	94,571	-
Fund balance (deficit), beginning, as restated	<u>(94,571)</u>	<u>(94,571)</u>	<u>(94,571)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LEESVILLE, LOUISIANA
Sales Tax Special Revenue Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$2,715,000	\$2,715,000	\$2,809,232	\$ 94,232
Charges for services	73,265	98,760	78,865	(19,895)
Miscellaneous	8,765	8,765	11,627	2,862
Total revenues	<u>2,797,030</u>	<u>2,822,525</u>	<u>2,899,724</u>	<u>77,199</u>
Expenditures:				
Current:				
General government	138,834	87,263	70,013	17,250
Culture and recreation	409,425	461,082	456,725	4,357
Capital outlay	<u>30,000</u>	<u>25,000</u>	<u>1,528</u>	<u>23,472</u>
Total expenditures	<u>578,259</u>	<u>573,345</u>	<u>528,266</u>	<u>45,079</u>
Excess of revenues over expenditures	2,218,771	2,249,180	2,371,458	122,278
Other financing uses:				
Transfers out	<u>(2,280,914)</u>	<u>(2,247,552)</u>	<u>(2,226,453)</u>	<u>21,099</u>
Excess (deficiency) of revenues over expenditures and other uses	(62,143)	1,628	145,005	143,377
Fund balance, beginning	<u>453,496</u>	<u>453,496</u>	<u>453,496</u>	<u>-</u>
Fund balance, ending	<u>\$ 391,353</u>	<u>\$ 455,124</u>	<u>\$ 598,501</u>	<u>\$ 143,377</u>

CITY OF LEESVILLE, LOUISIANA
Public Safety Special Revenue Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$1,357,500	\$1,376,676	\$ 1,206,729	\$ (169,947)
Intergovernmental	261,750	271,125	474,351	203,226
Fines and forfeitures	205,000	205,000	156,383	(48,617)
Charges for services	64,000	64,000	35,079	(28,921)
Miscellaneous	30,000	72,737	13,521	(59,216)
Total revenues	<u>1,918,250</u>	<u>1,989,538</u>	<u>1,886,063</u>	<u>(103,475)</u>
Expenditures:				
Current:				
Public Safety:				
Police	2,128,812	2,162,121	2,112,299	49,822
Fire	1,038,823	1,106,692	1,181,613	(74,921)
City Court	94,009	153,946	130,628	23,318
Debt service	-	-	188,278	(188,278)
Capital outlay	-	-	90,010	(90,010)
Total expenditures	<u>3,261,644</u>	<u>3,422,759</u>	<u>3,702,828</u>	<u>(280,069)</u>
Deficiency of revenues over expenditures	<u>(1,343,394)</u>	<u>(1,433,221)</u>	<u>(1,816,765)</u>	<u>(383,544)</u>
Other financing sources (uses):				
Transfers in	1,485,000	1,485,000	2,545,178	1,060,178
Transfers out	-	(15,630)	-	15,630
Total other financing sources (uses)	<u>1,485,000</u>	<u>1,469,370</u>	<u>2,545,178</u>	<u>1,075,808</u>
Excess of revenues and other sources over expenditures and other uses	141,606	36,149	728,413	692,264
Fund balance (deficit), beginning	<u>(728,413)</u>	<u>(728,413)</u>	<u>(728,413)</u>	<u>-</u>
Fund balance (deficit), ending	<u>\$ (586,807)</u>	<u>\$ (692,264)</u>	<u>\$ -</u>	<u>\$ 692,264</u>

CITY OF LEESVILLE, LOUISIANA

Schedule of Funding Progress
For the Year Ended June 30, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities (AAL)</u>	<u>Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Actuarial Accrued Liabilities (UAAL)</u>
July 1, 2009	\$ -	\$11,501,955	\$11,501,955	0.0%	\$3,692,371	312%

OTHER SUPPLEMENTARY INFORMATION

CITY OF LEESVILLE, LOUISIANA

Statement of Net Assets

June 30, 2011

With Comparative Totals for June 30, 2010

	2011			2010
	Governmental	Business-Type		Totals
	Activities	Activities	Total	
ASSETS				
Cash and interest-bearing deposits	\$ 926,291	\$ 240,255	\$ 1,166,546	\$ 1,993,026
Receivables	547,095	378,971	926,066	950,284
Due from other governmental agencies	30,617	227,074	257,691	888,488
Inventories	132,696	-	132,696	113,751
Other assets	37,136	11,134	48,270	50,251
Restricted assets:				
Cash and interest-bearing deposits	-	321,555	321,555	511,245
Capital assets:				
Land and construction in progress	351,186	502,027	853,213	555,303
Capital assets, net	<u>15,333,028</u>	<u>10,936,383</u>	<u>26,269,411</u>	<u>26,875,235</u>
Total assets	<u>17,358,049</u>	<u>12,617,399</u>	<u>29,975,448</u>	<u>31,937,583</u>
LIABILITIES				
Cash overdraft	-	-	-	798,399
Accounts and other payables	428,233	165,621	593,854	768,504
Claims payable	160,687	-	160,687	258,589
Interest payable	58,519	36,074	94,593	106,313
Long-term liabilities:				
Customer deposits payable	-	242,357	242,357	237,877
Compensated absences payable	253,951	35,585	289,536	479,680
OPEB obligation payable	1,843,991	550,802	2,394,793	1,225,813
Bonds, notes, and leases due within one year	493,742	484,115	977,857	1,699,517
Bonds, notes, and leases due after one year, net	<u>3,598,447</u>	<u>2,663,976</u>	<u>6,262,423</u>	<u>7,172,617</u>
Total liabilities	<u>6,837,570</u>	<u>4,178,530</u>	<u>11,016,100</u>	<u>12,747,309</u>
NET ASSETS				
Invested in capital assets, net of related debt	11,592,025	8,493,653	20,085,678	19,806,753
Restricted for debt service	383,346	-	383,346	661,878
Unrestricted (deficit)	<u>(1,454,892)</u>	<u>(54,784)</u>	<u>(1,509,676)</u>	<u>(1,278,357)</u>
Total net assets	<u>\$10,520,479</u>	<u>\$8,438,869</u>	<u>\$18,959,348</u>	<u>\$19,190,274</u>

CITY OF LEESVILLE, LOUISIANA
General Fund

Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011				
	Budget			Variance with Final Budget	2010
	Original	Final	Actual	Positive (Negative)	Actual
Taxes:					
Ad valorem	\$ 211,085	\$ 211,085	\$ 217,533	\$ 6,448	\$ 210,367
Franchise	535,000	500,000	542,640	42,640	496,170
Total taxes	<u>746,085</u>	<u>711,085</u>	<u>760,173</u>	<u>49,088</u>	<u>706,537</u>
Licenses and permits:					
Occupational licenses	406,545	406,545	443,535	36,990	458,180
Permits	35,520	50,520	29,334	(21,186)	53,801
Total licenses and permits	<u>442,065</u>	<u>457,065</u>	<u>472,869</u>	<u>15,804</u>	<u>511,981</u>
Intergovernmental:					
Federal grants -					
Federal Emergency Mgmt. Assistance	-	-	-	-	57,153
State of Louisiana -					
Beer taxes	21,780	23,000	22,193	(807)	25,686
Mainstreet grant	-	-	4,789	4,789	6,522
Total intergovernmental	<u>21,780</u>	<u>23,000</u>	<u>26,982</u>	<u>3,982</u>	<u>89,361</u>
Charges for services:					
Inspection fees	14,130	14,565	10,322	(4,243)	15,229
Airport hanger rent	20,000	24,382	20,109	(4,273)	25,126
Airport fuel sales	120,000	120,000	228,523	108,523	264,417
Miscellaneous	1,025	2,775	9,071	6,296	10,096
Total charges for services	<u>155,155</u>	<u>161,722</u>	<u>268,025</u>	<u>106,303</u>	<u>314,868</u>
Miscellaneous:					
Interest	1,645	1,645	768	(877)	1,751
Video bingo	60,500	60,000	41,736	(18,264)	65,085
Other sources	37,215	37,210	64,606	27,396	36,829
Total miscellaneous	<u>99,360</u>	<u>98,855</u>	<u>107,110</u>	<u>8,255</u>	<u>103,665</u>
Total revenues	<u>\$1,464,445</u>	<u>\$1,451,727</u>	<u>\$1,635,159</u>	<u>\$183,432</u>	<u>\$1,726,412</u>

CITY OF LEESVILLE, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			Variance with Final Budget	2010
	Budget		Actual	Positive (Negative)	Actual
	Original	Final			
Current:					
General government:					
General and administrative -					
Salaries and wages	\$ 53,310	\$ 63,833	\$ 46,172	\$ 17,661	\$ 54,406
Payroll taxes	4,078	4,165	3,835	330	4,109
Retirement contribution	7,729	8,033	4,107	3,926	6,838
Hospitalization	14,407	60,000	39,396	20,604	77,522
Insurance	137,313	182,912	102,552	80,360	136,707
Materials and supplies	43,000	39,000	27,430	11,570	45,525
Advertisements and recordings	9,400	9,800	13,217	(3,417)	9,820
Accounting and auditing	15,000	25,000	81,065	(56,065)	19,215
Miscellaneous	27,362	27,362	35,595	(8,233)	27,520
Utilities and telephone	9,000	9,000	10,483	(1,483)	8,072
Repairs and maintenance	31,465	41,450	36,177	5,273	42,226
Dues	3,620	3,700	4,508	(808)	3,697
Travel	3,000	-	1,342	(1,342)	3,130
Uniforms	18,900	20,500	19,838	662	21,532
Annexation related costs	240,000	20,000	6,016	13,984	248,775
Total general and administrative	617,584	514,755	431,733	83,022	709,094
Executive -					
Salaries	54,760	52,982	57,505	(4,523)	54,843
Payroll taxes	4,298	4,185	5,103	(918)	4,047
Retirement contribution	-	-	28	(28)	156
Hospitalization	13,994	13,994	(3,534)	17,528	38,645
Utilities and telephone	4,300	7,000	3,858	3,142	4,219
Insurance	395	395	472	(77)	320
Travel	7,500	7,500	7,469	31	7,202
Public relations	2,500	2,500	1,083	1,417	2,439
Vehicle expense	6,600	6,160	5,589	571	-
Total executive	94,347	94,716	77,573	17,143	111,871

(continued)

CITY OF LEESVILLE, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (continued)
For the Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011				
	Budget			Variance with Final Budget Positive (Negative)	2010 Actual
	Original	Final	Actual		
Legal -					
Salaries	15,000	30,000	26,933	3,067	15,000
Payroll taxes	1,178	2,340	2,602	(262)	1,170
Insurance	180	180	156	24	148
Legal fees	6,000	6,000	4,046	1,954	5,955
Total legal	22,358	38,520	33,737	4,783	22,273
Public works:					
Salaries	419,548	398,708	428,193	(29,485)	455,470
Payroll taxes	33,078	31,138	31,913	(775)	35,076
Retirement contribution	41,650	41,650	36,351	5,299	40,976
Hospitalization	49,480	80,000	43,092	36,908	99,115
Maintenance and supplies	139,000	133,100	133,357	(257)	316,580
Dumpster service	2,731	2,731	9,099	(6,368)	2,728
Utilities and telephone	85,000	85,000	94,651	(9,651)	89,554
Insurance	97,700	107,500	113,690	(6,190)	98,333
Miscellaneous	22,911	13,500	7,016	6,484	19,599
Total public works	891,098	893,327	897,362	(4,035)	1,157,431
Economic development -					
Salaries	30,920	30,920	21,683	9,237	31,148
Payroll taxes	2,410	2,410	1,861	549	2,404
Maintenance and supplies	14,042	9,042	9,085	(43)	14,071
Fuel	100,000	100,000	174,286	(74,286)	225,833
Utilities and telephone	17,500	17,500	18,279	(779)	17,708
Insurance	17,745	5,545	467	5,078	5,485
Miscellaneous	-	300	3,500	(3,200)	6,944
Farmers market	-	-	-	-	1,194
Total economic development	182,617	165,717	229,161	(63,444)	304,787

(continued)

CITY OF LEESVILLE, LOUISIANA
General Fund

Budgetary Comparison Schedule - Expenditures (continued)
For the Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011		Variance with Final Budget	2010
	Budget		Positive	Actual
	Original	Final	(Negative)	
Group insurance:				
Insurance	-	-	157,090	176,534
Claims paid	-	-	805,908	890,513
Miscellaneous	-	-	48,785	53,229
Less: premiums allocated to departments	-	-	(1,011,783)	(1,120,276)
	-	-	-	-
Debt service:				
Retirement of principal	-	-	19,903	30,190
Interest and fiscal charges	-	-	1,213	2,334
Total debt service	-	-	21,116	32,524
Capital outlay:				
General government	-	55,000	47,330	1,850
Public works	17,111	17,000	1,844	27,896
Economic development	-	-	-	1,195
Total capital outlay	17,111	72,000	22,826	30,941
Total expenditures	\$1,825,115	\$1,779,035	\$ 1,739,856	\$ 2,368,921

CITY OF LEESVILLE, LOUISIANA

Special Revenue Fund

Sales Tax Special Revenue Fund

Budgetary Comparison Schedule

For the Year Ended June 30, 2011

With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			Variance with Final Budget	2010
	Budget		Actual	Positive (Negative)	Actual
	Original	Final			
Revenues:					
Taxes	\$ 2,715,000	\$ 2,715,000	\$ 2,809,232	\$ 94,232	\$ 2,759,268
Charges for services	73,265	98,760	78,865	(19,895)	77,596
Miscellaneous	8,765	8,765	11,627	2,862	8,731
Total revenues	<u>2,797,030</u>	<u>2,822,525</u>	<u>2,899,724</u>	<u>77,199</u>	<u>2,845,595</u>
Expenditures:					
Current -					
General government:					
Salaries and wages	19,851	14,140	13,130	1,010	21,171
Payroll taxes	1,625	1,131	1,141	(10)	1,625
Retirement contribution	-	-	-	-	843
Collection fees	53,850	53,850	46,842	7,008	50,145
Accounting and auditing	5,000	10,000	-	10,000	5,000
Park equipment	50,000	-	276	(276)	3,881
Miscellaneous	8,508	8,142	8,624	(482)	7,006
Total general government	<u>138,834</u>	<u>87,263</u>	<u>70,013</u>	<u>17,250</u>	<u>89,671</u>
Culture and recreation:					
Recreation department	224,077	209,061	192,503	16,558	227,896
Recreation complex	54,628	53,488	59,941	(6,453)	57,598
Neighborhood center	130,720	126,980	131,898	(4,918)	143,163
Leisure pool	-	71,553	72,383	(830)	77,332
Total culture and recreation	<u>409,425</u>	<u>461,082</u>	<u>456,725</u>	<u>4,357</u>	<u>505,989</u>
Capital outlay -					
Culture and recreation:					
Recreation department	20,000	20,000	1,528	18,472	35,802
Recreation complex	5,000	5,000	-	5,000	13,799
Neighborhood center	5,000	-	-	-	757
Leisure pool	-	-	-	-	6,383
Total capital outlay	<u>30,000</u>	<u>25,000</u>	<u>1,528</u>	<u>23,472</u>	<u>56,741</u>
Total expenditures	<u>578,259</u>	<u>573,345</u>	<u>528,266</u>	<u>45,079</u>	<u>652,401</u>
Excess of revenues over expenditures	2,218,771	2,249,180	2,371,458	122,278	2,193,194
Other financing uses:					
Transfers out	<u>(2,280,914)</u>	<u>(2,247,552)</u>	<u>(2,226,453)</u>	<u>21,099</u>	<u>(1,960,501)</u>
Excess (deficiency) of revenues over expenditures and other uses	(62,143)	1,628	145,005	143,377	232,693
Fund balance, beginning	<u>453,496</u>	<u>453,496</u>	<u>453,496</u>	-	<u>220,803</u>
Fund balance, ending	\$ 391,353	\$ 455,124	\$ 598,501	\$143,377	\$ 453,496

CITY OF LEESVILLE, LOUISIANA
Special Revenue Fund
Public Safety Special Revenue Fund

Budgetary Comparison Schedule
For the Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011			Variance with Final Budget Positive (Negative)	2010 Actual
	Budget		Actual		
	Original	Final			
Revenues:					
Taxes	\$ 1,357,500	\$ 1,376,676	\$ 1,206,729	\$ (169,947)	\$ 1,376,676
Intergovernmental	261,750	271,125	474,351	203,226	196,684
Fines and forfeitures	205,000	205,000	156,383	(48,617)	194,139
Charges for services	64,000	64,000	35,079	(28,921)	62,607
Miscellaneous	30,000	72,737	13,521	(59,216)	72,391
Total revenues	<u>1,918,250</u>	<u>1,989,538</u>	<u>1,886,063</u>	<u>(103,475)</u>	<u>1,902,497</u>
Expenditures:					
Current -					
Public safety:					
Police -					
Salaries and wages	1,236,204	1,220,799	1,203,364	17,435	1,310,596
Payroll taxes	93,395	85,658	106,761	(21,103)	101,741
Retirement contribution	78,591	75,396	42,137	33,259	45,594
Hospitalization	149,748	180,710	186,656	(5,946)	250,335
Insurance	150,750	148,100	177,755	(29,655)	135,552
Telephone and utilities	37,665	38,000	44,408	(6,408)	38,998
Maintenance and supplies	130,563	135,008	212,107	(77,099)	172,072
Collection fee	27,615	25,019	23,321	1,698	25,019
Equipment lease	148,702	148,702	9,050	139,652	29,118
Prisoner expense	25,000	25,000	33,118	(8,118)	28,363
Miscellaneous	50,579	79,729	73,622	6,107	61,876
Total police	<u>2,128,812</u>	<u>2,162,121</u>	<u>2,112,299</u>	<u>49,822</u>	<u>2,199,264</u>
Fire -					
Salaries and wages	598,131	626,547	593,764	32,783	622,762
Payroll taxes	46,500	42,731	48,250	(5,519)	48,190
Retirement contribution	83,520	83,520	109,159	(25,639)	63,801
Hospitalization	72,798	120,000	198,253	(78,253)	273,341
Insurance	106,000	104,000	113,401	(9,401)	96,002
Telephone and utilities	29,695	28,000	27,141	859	27,834
Maintenance and supplies	31,535	31,250	44,459	(13,209)	32,898
Miscellaneous	70,644	70,644	47,186	23,458	16,055
Total fire	<u>1,038,823</u>	<u>1,106,692</u>	<u>1,181,613</u>	<u>(74,921)</u>	<u>1,180,883</u>

(continued)

CITY OF LEESVILLE, LOUISIANA
Special Revenue Fund
Public Safety Special Revenue Fund

Budgetary Comparison Schedule (Continued)
For the Year Ended June 30, 2011
With Comparative Actual Amounts for the Year Ended June 30, 2010

	2011				
	Budget			Variance with Final Budget	2010
	Original	Final	Actual	Positive (Negative)	Actual
Expenditures (continued):					
City Court -					
Salaries and wages	66,000	66,000	60,526	5,474	66,000
Payroll taxes	5,115	5,115	5,012	103	5,104
Hospitalization	15,063	75,000	55,003	19,997	113,422
Insurance	251	251	248	3	197
Miscellaneous	-	-	680	(680)	-
Utilities	7,580	7,580	9,159	(1,579)	7,541
Total city court	<u>94,009</u>	<u>153,946</u>	<u>130,628</u>	<u>23,318</u>	<u>192,264</u>
Debt service -					
Retirement of principal	-	-	138,742	(138,742)	85,776
Interest and fiscal charges	-	-	49,536	(49,536)	43,855
Total debt service	<u>-</u>	<u>-</u>	<u>188,278</u>	<u>(188,278)</u>	<u>129,631</u>
Capital outlay -					
Public safety:					
Police	-	-	-	-	448,340
Fire	-	-	90,010	(90,010)	-
Total capital outlay	<u>-</u>	<u>-</u>	<u>90,010</u>	<u>(90,010)</u>	<u>448,340</u>
Total expenditures	<u>3,261,644</u>	<u>3,422,759</u>	<u>3,702,828</u>	<u>(280,069)</u>	<u>4,150,382</u>
Deficiency of revenues over expenditures	<u>(1,343,394)</u>	<u>(1,433,221)</u>	<u>(1,816,765)</u>	<u>(383,544)</u>	<u>(2,247,885)</u>
Other financing sources (uses):					
Transfers in	1,485,000	1,485,000	2,545,178	1,060,178	1,161,286
Transfers out	-	(15,630)	-	15,630	-
Proceeds from capital lease	-	-	-	-	392,000
Total other financing sources (uses)	<u>1,485,000</u>	<u>1,469,370</u>	<u>2,545,178</u>	<u>1,075,808</u>	<u>1,553,286</u>
Excess of revenues and other sources over expenditures and other uses	<u>141,606</u>	<u>36,149</u>	<u>728,413</u>	<u>692,264</u>	<u>(694,599)</u>
Fund balance (deficit), beginning	<u>(728,413)</u>	<u>(728,413)</u>	<u>(728,413)</u>	<u>-</u>	<u>(33,814)</u>
Fund balance (deficit), ending	<u>\$ (586,807)</u>	<u>\$ (692,264)</u>	<u>\$ -</u>	<u>\$ 692,264</u>	<u>\$ (728,413)</u>

NONMAJOR GOVERNMENTAL FUNDS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Vernon Communication District

To account for the operations of the Parish E911 service.

Mainstreet Program Fund -

To account for the activity to foster economic development and stimulate cultural tourism throughout the City's downtown area.

OEA Grant Fund -

To account for the receipt and use of proceeds of a grant from the Department of defense, Office of Economic Adjustment for Regional Growth Management.

LCDBG Economic Development Fund -

To account for the receipt and use of proceeds of a grant from the Louisiana Community Development Block Grant for economic development.

Debt Service Funds

Debt service funds are used to accumulate resources to be used to make debt service principal and interest payments on general obligation long-term debt.

Sales Tax Sinking Fund

To accumulate monies for payment of the \$2,500,000 Public Improvement Sales Tax Bonds, Series 2005. Debt service is financed by the collection of sales taxes.

2002 Certificates of Indebtedness Fund

To accumulate monies for payment of the \$255,000 and \$375,000 Excess Revenue Refunding Bonds, Series 2002A and Series 2002B, due in annual installments, plus interest, through maturity in 2012. Payments are derived from excess revenues of the General Fund.

2004 GOB Street Improvement Fund

To accumulate monies for payment of the \$1,800,000 General Obligation Bonds, Series 2004. Debt service is financed by the collection of ad valorem taxes.

(continued)

NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)

Capital Projects Funds

Capital projects funds are used to accumulate resources to be used for the acquisition or construction of capital facilities.

Airport Construction Fund -

To account for improvements and rehabilitation costs associated with the City's airport which is funded by state and federal monies.

Louisiana Community Development Grant (LCDBG) Fund -

To account for repairs to the sewer lines within the City.

2005 P.I. Sales Tax Bond Fund

To account for the receipt and use of proceeds of the Public Improvement Sales Tax Bond, Series 2005, and subsequent expenditure of the funds.

CITY OF LEESVILLE, LOUISIANA
Nonmajor Governmental Funds

Combining Balance Sheet
June 30, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
ASSETS				
Cash and interest-bearing deposits	\$ 12,490	\$ 281,252	\$ 46	\$ 293,788
Due from other funds	-	160,613	-	160,613
Due from other governmental agencies	<u>13,500</u>	<u>-</u>	<u>-</u>	<u>13,500</u>
Total assets	<u>\$ 25,990</u>	<u>\$ 441,865</u>	<u>\$ 46</u>	<u>\$ 467,901</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 18,623	\$ -	\$ -	\$ 18,623
Fund balances:				
Restricted for debt service	-	441,865	-	441,865
Assigned	<u>7,367</u>	<u>-</u>	<u>46</u>	<u>7,413</u>
Total fund balances	<u>7,367</u>	<u>441,865</u>	<u>46</u>	<u>449,278</u>
Total liabilities and fund balances	<u>\$ 25,990</u>	<u>\$ 441,865</u>	<u>\$ 46</u>	<u>\$ 467,901</u>

CITY OF LEESVILLE, LOUISIANA
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2011

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Revenues:				
Taxes	\$ -	\$ 160,613	\$ -	\$ 160,613
Intergovernmental	54,957	-	-	54,957
Charges for services	456,024	-	-	456,024
Miscellaneous	<u>732</u>	<u>2,669</u>	<u>2</u>	<u>3,403</u>
Total revenues	<u>511,713</u>	<u>163,282</u>	<u>2</u>	<u>674,997</u>
Expenditures:				
Current -				
General government	42,301	-	-	42,301
Public safety	535,073	-	-	535,073
Public works	35,351	-	84	35,435
Economic development	13	-	20	33
Debt service	<u>-</u>	<u>460,829</u>	<u>-</u>	<u>460,829</u>
Total expenditures	<u>612,738</u>	<u>460,829</u>	<u>104</u>	<u>1,073,671</u>
Deficiency of revenues over expenditures	(101,025)	(297,547)	(102)	(398,674)
Other financing sources (uses):				
Transfers in	7,178	39,564	6,789	53,531
Transfers out	<u>(3,841)</u>	<u>(28,365)</u>	<u>-</u>	<u>(32,206)</u>
Total financing sources (uses)	<u>3,337</u>	<u>11,199</u>	<u>6,789</u>	<u>21,325</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(97,688)	(286,348)	6,687	(377,349)
Fund balances (deficit), beginning	<u>105,055</u>	<u>728,213</u>	<u>(6,641)</u>	<u>826,627</u>
Fund balances, ending	<u>\$ 7,367</u>	<u>\$ 441,865</u>	<u>\$ 46</u>	<u>\$ 449,278</u>

NONMAJOR SPECIAL REVENUE FUNDS

CITY OF LEESVILLE, LOUISIANA
Nonmajor Special Revenue Funds

Combining Balance Sheet
June 30, 2011

	Vernon Communication District	Mainstreet Program	OEA Grant	LCDBG Economic Development	Total
ASSETS					
Cash and interest-bearing deposits	\$ 5,123	\$ -	\$ -	\$ 7,367	\$12,490
Due from other governmental agencies	-	13,500	-	-	13,500
Total assets	<u>\$ 5,123</u>	<u>\$13,500</u>	<u>\$ -</u>	<u>\$ 7,367</u>	<u>\$25,990</u>
LIABILITIES AND FUND BALANCES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	-	-	-	-	-
Due to other funds	5,123	13,500	-	-	18,623
Total liabilities	<u>5,123</u>	<u>13,500</u>	<u>-</u>	<u>-</u>	<u>18,623</u>
Fund balances:					
Assigned	-	-	-	7,367	7,367
Total liabilities and fund balances	<u>\$ 5,123</u>	<u>\$13,500</u>	<u>\$ -</u>	<u>\$ 7,367</u>	<u>\$25,990</u>

CITY OF LEESVILLE, LOUISIANA
Nonmajor Special Revenue Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2011

	Vernon Communication District	Mainstreet Program	OEA Grant	LCDBG Economic Development	Total
Revenues:					
Intergovernmental	\$ -	\$ 22,926	\$ 32,031	\$ -	\$ 54,957
Charges for services	456,024	-	-	-	456,024
Miscellaneous	367	325	-	40	732
Total revenues	<u>456,391</u>	<u>23,251</u>	<u>32,031</u>	<u>40</u>	<u>511,713</u>
Expenditures:					
General government	-	-	42,301	-	42,301
Public safety	535,073	-	-	-	535,073
Public works	-	35,351	-	-	35,351
Economic development	-	-	-	13	13
Total expenditures	<u>535,073</u>	<u>35,351</u>	<u>42,301</u>	<u>13</u>	<u>612,738</u>
Excess (deficiency) of revenues over expenditures	(78,682)	(12,100)	(10,270)	27	(101,025)
Other financing sources (uses):					
Transfers in	-	2,636	4,542	-	7,178
Transfers out	(3,841)	-	-	-	(3,841)
Total other financing sources (uses)	<u>(3,841)</u>	<u>2,636</u>	<u>4,542</u>	<u>-</u>	<u>3,337</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(82,523)	(9,464)	(5,728)	27	(97,688)
Fund balances, beginning	<u>82,523</u>	<u>9,464</u>	<u>5,728</u>	<u>7,340</u>	<u>105,055</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,367</u>	<u>\$ 7,367</u>

NONMAJOR DEBT SERVICE FUNDS

CITY OF LEESVILLE, LOUISIANA
Nonmajor Debt Service Funds

Combining Balance Sheet
June 30, 2011

	<u>Sales Tax Sinking</u>	<u>2002 tes of Indebtedness</u>	<u>2004 GOB Street Improvements</u>	<u>Total</u>
ASSETS				
Cash and interest-bearing deposits	\$253,361	\$2,103	\$ 25,788	\$281,252
Due from other funds	<u>-</u>	<u>-</u>	<u>160,613</u>	<u>160,613</u>
Total assets	<u>\$253,361</u>	<u>\$2,103</u>	<u>\$186,401</u>	<u>\$441,865</u>
LIABILITIES AND FUND BALANCES				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund balances:				
Restricted for debt service	<u>253,361</u>	<u>2,103</u>	<u>186,401</u>	<u>441,865</u>
Total liabilities and fund balances	<u>\$253,361</u>	<u>\$2,103</u>	<u>\$186,401</u>	<u>\$441,865</u>

CITY OF LEESVILLE, LOUISIANA
Nonmajor Debt Service Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2011

	Sales Tax Sinking	2002 Certificates of Indebtedness	2004 GOB Street Improvements	Total
Revenues:				
Taxes	\$ -	\$ -	\$ 160,613	\$ 160,613
Miscellaneous	<u>691</u>	<u>586</u>	<u>1,392</u>	<u>2,669</u>
Total revenues	<u>691</u>	<u>586</u>	<u>162,005</u>	<u>163,282</u>
Expenditures:				
Debt service	<u>223,804</u>	<u>81,240</u>	<u>155,785</u>	<u>460,829</u>
Excess (deficiency) of revenues over expenditures	(223,113)	(80,654)	6,220	(297,547)
Other financing sources (uses):				
Operating transfers in	38,079	1,485	-	39,564
Operating transfers out	<u>-</u>	<u>(28,365)</u>	<u>-</u>	<u>(28,365)</u>
Total other financing sources (uses)	<u>38,079</u>	<u>(26,880)</u>	<u>-</u>	<u>11,199</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(185,034)	(107,534)	6,220	(286,348)
Fund balances, beginning	<u>438,395</u>	<u>109,637</u>	<u>180,181</u>	<u>728,213</u>
Fund balances, ending	<u>\$ 253,361</u>	<u>\$ 2,103</u>	<u>\$ 186,401</u>	<u>\$ 441,865</u>

NONMAJOR CAPITAL PROJECTS FUNDS

CITY OF LEESVILLE, LOUISIANA
Nonmajor Capital Projects Funds

Combining Balance Sheet
June 30, 2011

	<u>Airport Construction</u>	<u>LCDBG</u>	<u>2005 P.I. Tax Bonds</u>	<u>Total</u>
ASSETS				
Cash and interest-bearing deposits	\$ -	\$ -	\$ 46	\$ 46
LIABILITIES AND FUND BALANCES				
Liabilities	\$ -	\$ -	\$ -	\$ -
Fund balances:				
Assigned	-	-	46	46
Total liabilities and fund balances	\$ -	\$ -	\$ 46	\$ 46

CITY OF LEESVILLE, LOUISIANA
Nonmajor Capital Projects Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2011

	Airport Construction	LCDBG	2005 P.I. Sales Tax Bonds	Total
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 2	\$ 2
Expenditures:				
Public works	-	-	84	84
Economic development	<u>-</u>	<u>20</u>	<u>-</u>	<u>20</u>
Total expenditures	<u>-</u>	<u>20</u>	<u>84</u>	<u>104</u>
Deficiency of revenues over expenditures	<u>-</u>	<u>(20)</u>	<u>(82)</u>	<u>(102)</u>
Other financing sources (uses):				
Transfers in	<u>6,659</u>	<u>2</u>	<u>128</u>	<u>6,789</u>
Excess (deficiency) of revenues over expenditures and other uses	6,659	(18)	46	6,687
Fund balances (deficit), beginning	<u>(6,659)</u>	<u>18</u>	<u>-</u>	<u>(6,641)</u>
Fund balances, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46</u>	<u>\$ 46</u>

**COMPLIANCE, INTERNAL CONTROL
AND
OTHER GRANT INFORMATION**

C. Burton Kolder, CPA*
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 Gerald A. Thibodeaux, Jr., CPA*
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Retired:
 Conrad O. Chapman, CPA* 2006
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Honorable C. Robert Rose, Mayor
 and Members of the City Council
 City of Leesville, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities each major fund and the aggregate remaining fund information of the City of Leesville, Louisiana's primary government as of and for the year ended June 30, 2011, and have issued our report thereon dated December 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Leesville, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Leesville, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Leesville, Louisiana's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial report as items 2011-1, 2011-2, 2011-3 and 2011-4. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Leesville, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-5, 2011-6, 2011-7, 2011-8, 2011-9, and 2011-10.

We noted certain other matters that we have reported to management of the City of Leesville, Louisiana a separate letter dated December 16, 2011. The City's responses to the findings identified in our audit are described in the accompanying summary schedule of current and prior year audit findings. We did not audit the City's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information of the City's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Although the intended use of this report maybe limited, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 16, 2011

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable C. Robert Rose, Mayor
 and Members of the City Council
 City of Leesville, Louisiana

Compliance

We have audited the City of Leesville, Louisiana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Leesville, Louisiana's major federal program for the year ended June 30, 2011. The City of Leesville, Louisiana's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City of Leesville, Louisiana's management. Our responsibility is to express an opinion on the City of Leesville, Louisiana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Leesville, Louisiana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Leesville, Louisiana's compliance with those requirements.

In our opinion, the City of Leesville, Louisiana complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2011-12.

Internal Control Over Compliance

Management of the City of Leesville, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Leesville, Louisiana's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Leesville, Louisiana's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weaknesses in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City of Leesville, Louisiana's responses to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Leesville, Louisiana's response and, accordingly, we express no opinion on it.

This report is intended for the information of the City of Leesville, Louisiana's management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 16, 2011

CITY OF LEESVILLE, LOUISIANA

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor / Pass-Through Grantor / Program Name	Federal CFDA Number	Disbursements/ Expenditures
<u>U.S. Environmental Protection Agency</u>		
Passed-through State of Louisiana Department of Environmental Quality:		
ARRA - Capitalization Grants for Clean Water *	66.458	<u>\$ 753,120</u>
<u>U.S. Department of Homeland Security</u>		
Assistance to Firefighters Grant	97.044	116,701
Passed-through State of Louisiana Office of Homeland Security and Emergency Preparedness:		
Homeland Security Grant Program	97.067	<u>55,590</u>
Total U.S. Department of Homeland Security		<u>172,291</u>
<u>U.S. Department of Transportation</u>		
Passed-through State of Louisiana Department of Public Safety and Corrections - Louisiana Highway Safety Commission		
ARRA - Highway Planning and Construction	20.205	8,640
State and Community Highway Safety	20.600	2,700
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	<u>12,285</u>
Total U.S. Department of Transportation		<u>23,625</u>
<u>U.S. Department of Justice</u>		
ARRA - Office of Community Oriented Policing Services	16.710	<u>40,966</u>
TOTAL FEDERAL EXPENDITURES		<u>\$ 990,002</u>

* Indicates Major Program

CITY OF LEESVILLE, LOUISIANA

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the City of Leesville, Louisiana (the "City"). The City's reporting entity is defined in Note 1 to the primary government financial statements for the year ended June 30, 2011. All federal financial assistance received directly from federal agencies is included on the schedule as well as federal financial assistance passed through other government agencies. The U.S. Environmental Protection Agency: Passed through State of Louisiana Department of Environmental Quality – Capitalization Grants for Clean Water program was considered to be a major federal program.

(2) Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the City's primary government financial statements for the year ended June 30, 2011.

(3) Relationship to Primary Government Financial Statements

Federal financial assistance revenues/expenditures are reported in the City's primary government financial statements as follows:

From federal sources:

Government Fund Types -

Special Revenue Funds \$ 236,882

Proprietary Fund Type -

Sewer Fund 753,120

Total federal expenditures reported in the Schedule of
Expenditures of Federal Awards

\$ 990,002

(4) Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related financial reports.

CITY OF LEESVILLE, LOUISIANA

Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part I. Summary of Auditor's Results:

1. The auditor's report expresses an adverse opinion on the financial statements of the City of Leesville's reporting entity because they do not include financial data of all component units. An unqualified opinion was issued on the basic financial statements of the City of Leesville, Louisiana's primary government.
2. There were four significant deficiencies in internal control disclosed by the audit of the financial statements.
3. There were six instances of noncompliance disclosed by the audit of the financial statements.
4. There were no significant deficiencies in internal control over the major program disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance for the major program.
6. Audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133 are reported in this schedule.
7. The major program was:

U.S. Environmental Protection Agency: Passed through State of Louisiana Department of Environmental Quality – Capitalization Grants for Clean Water CFDA No. 66.458.
8. The dollar threshold used to distinguish between Type A and Type B programs, as described in Section 520(b) of Circular A-133 was \$300,000.
9. The auditee did not qualify as a low-risk auditee under Section 530 of Circular A-133.

Part II. Findings that are required to be reported in accordance with generally accepted Governmental Auditing Standards:

See Findings 2011-1 through 2011-10 the Summary Schedule of Current and Prior Year Audit Findings and Corrective Action Plan.

CITY OF LEESVILLE, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011

Part III. Findings and questioned costs for Federal awards which include audit findings as defined in Section 510(a) of Circular A-133:

U.S. ENVIRONMENTAL PROTECTION AGENCY:

Compliance Finding –

2011-10 Untimely Disbursement of Funds to Contractor

U.S. Environmental Protection Agency: Passed through State of Louisiana Department of Environmental Quality – Capitalization Grants for Clean Water CFDA No. 66.458

Criteria

The Louisiana Department of Environmental Quality (LDEQ) was allocated over \$43 million dollars through the American Recovery and Reinvestment Act (ARRA), to provide funding for wastewater infrastructure needs through the Clean Water State Revolving Fund Program (CWSRF). One of the projects funded was submitted by the City of Leesville, Louisiana (the City), for a lift station upgrade and rehabilitation of approximately 3,000 feet of existing collection lines. The CWSRF loan documents required the City to pay promptly all approved costs of the project.

Condition

In December 2010, the City received reimbursement for approved costs of the Project. The City's contractor also submitted its request for payment to the City in December 2010 for \$179,574; however, the City did not pay the contractor until April 15, 2011.

Context

The City of Leesville did not follow the provisions of the CWSRF loan documents requiring the City to pay promptly all approved costs of the project.

Effect

The City of Leesville did not follow the provisions of the CWSRF loan documents requiring the City to pay promptly all approved costs of the project.

CITY OF LEESVILLE, LOUISIANA

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2011**

Recommendation

The City should take the necessary action to ensure that the requirements of the CWSRF loan documents are followed.

Planned Corrective Action and Management's Response

On March 29, 2011, it was brought to the LDEQ's attention that the City's contractor had not been paid the balance due for work performed in December 2010. The LDEQ immediately contacted the City and requested an explanation as to the four-month delay in making payment to the contractor. The City responded promptly to the LDEQ's inquiry and paid the contractor all amounts due.

CITY OF LEEVILLE, LOUISIANA

**Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan
Year Ended June 30, 2011**

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Date of Completion</u>
CURRENT YEAR (06/30/11) --						
Internal Control:						
2011-1	Unknown	The City does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.		The City has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the government to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Hugh King, City Administrator	N/A
2011-2	2010	The City does not have adequate controls over grant accounting. Policies and procedures should be established in order to centralize grant record-keeping.		The City is in the process of drafting internal control policies that will resolve this matter. The City will establish policies and procedures to centralize grant record-keeping.	Hugh King, City Administrator	6/30/2012
2011-3	Unknown	The City does not have formal written policies and procedures covering the use of credit cards and fuel cards. The City should prepare and adopt a comprehensive credit and fuel card usage policy. This policy should address how credit and fuel cards are to be controlled, define allowable business use and charges, define a method for monitoring usage and required approvals and proper documentation.		The City will adopt and implement written policies and procedures covering the use of credit cards and fuel cards. The credit and fuel card usage policy will address how credit and fuel cards are to be controlled, define allowable business use and charges, define a method for monitoring usage and required approvals and proper documentation.	Tobi Droegemeier, Finance Director	6/30/2012

(continued)

CITY OF LEESVILLE, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended June 30, 2011

Fiscal Year	Ref. No.	Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
	CURRENT YEAR (06/30/11) --						
<u>Internal Control:</u>							
	2011-4	2011	The City does not have formal written policies and procedures covering contracts/contracting. The City also does not have centralized control and oversight of contracts to ensure services and deliverables received and payments made comply with the terms and condition of the contracts. The City should prepare and adopt policies and procedures covering contracts and contracting activities. This policy should address what types of services require written contracts, define the standard terms and conditions of contracts, and address the legal review, approval and monitoring processes over contracts.		The City will adopt and implement policies and procedures whereas someone is specifically identified with oversight responsibility of all contracts and that a list of all contracts is maintained summarizing significant provisions of such contracts.	Hugh King, City Administrator	6/30/2012
<u>Compliance:</u>							
	2011-5	Unknown	The City of Leesville does not have adequate inventory records for capital assets and has not conducted physical inventories as required by LSA-RS 24:515. The city should establish and implement a policy for capital assets which includes a dollar threshold for items to be included in inventory and requires periodic physical inventories.		The City will define assets that will be inventoried, including the minimum value for inclusion on the list of capital assets, prepare a detailed listing of capital assets, take a physical inventory to identify assets that belong to the City and include a tag number on the listing of capital assets.	Tobi Droegemeier, Finance Director	6/30/2012

(continued)

CITY OF LEESVILLE, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended June 30, 2011

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
<u>CURRENT YEAR (06/30/11) --</u>						
<u>Compliance:</u>						
2011-6	2010	The City did not comply with the sinking fund deposit requirements for its various bond issues. The bond issues require that amounts be transferred monthly into the sinking fund accounts. The required transfers were not made to these account for the fiscal year ended June 30, 2011. It is recommended that the City fully comply with the sinking fund deposit transfers as required by the bond issues.		As of the audit report date, the City is complying with the sinking fund deposit requirements.	Tobi Droegemeier, Finance Director	1/31/2012
2011-7	2010	The City has not established separate bank accounts for the Sales Tax Bond Sinking Fund and the Sales Tax Bond Reserve Fund required by the Sales Tax Revenue Public Improvement Bonds, Series 2005. Currently, one bank account is being utilized for both of the bond funds.		The City will open a checking account for the Sales Tax Reserve Fund.	Tobi Droegemeier, Finance Director	1/31/2012
2011-8	2010	The City did not amend the Public Safety Special Revenue Fund budget in accordance with LSA-RS 39:1311(A)(1) & (2) that states when total actual revenues and other sources or expenditures and other uses plus projected revenues and other sources or expenditures and other uses for the remainder of the year are failing to meet or exceeding the total budgeted expenditures by five percent or more, the budget must be amended. Total revenues were less than budgeted revenues by 5.2% or \$103,475. Total expenditures exceeded budgeted expenditures by 8% or \$280,069.		In the future, the City will prepare an amended budget when necessary.	Tobi Droegemeier, Finance Director	1/31/2012

(continued)

CITY OF LEESVILLE, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended June 30, 2011

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
CURRENT YEAR (06/30/11) -						
<u>Compliance:</u>						
2011-9	2011	The City did not properly adopt the Public Safety Special Revenue Fund budget in accordance with LSA-RS 39:1309(B) that states the adopted budget shall be balanced with approved expenditures not exceeding the total of estimated funds available. The City adopted a budget for the Public Safety Special Revenue Fund with an ending deficit of \$586,807 and an amended deficit of \$692,264.		All budgets adopted in the future will be balanced whereas anticipated expenditures do not exceed anticipated revenues and fund balances carryforward from the previous year.	Tobi Droegemeier, Finance Director	12/31/2011
2011-10	2011	The City of Leesville participated in the Clean Water State Revolving Fund Program (CWSRF) for a lift station upgrade and rehabilitation of approximately 3,000 feet of existing collection lines. The CWSRF loan documents required the City to pay promptly all approved costs of the project. In December 2010, the City received reimbursement for approved costs of the Project. The City's contractor also submitted its request for payment to the City in December 2010 for \$179,574; however, the City did not pay the contractor until April 15, 2011. The City of Leesville did not follow the provisions of the CWSRF loan documents requiring the City to pay promptly all approved costs of the project.	Yes	On March 29, 2011, it was brought to the LDEQ's attention that the City's contractor had not been paid the balance due for work performed in December 2010. The LDEQ immediately contacted the City and requested an explanation as to the four-month delay in making payment to the contractor. The City responded promptly to the LDEQ's inquiry and paid the contractor all amounts due.	Hugh King, City Administrator	4/15/2011

(continued)

CITY OF LEESVILLE, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended June 30, 2011

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
CURRENT YEAR (06/30/11) --						
<u>Management Letter:</u>						
2011-11	2010	The City did not comply with personnel policies and procedures governing vacation and sick leave. During the year ended June 30, 2011, one employee was paid accumulated sick leave. This employee was not eligible for such a payment under the City's policy, and there was no written approval from the City Administrator maintained within the personnel files.		It was an oversight that an insignificant amount of sick leave was included in the computation of the final payroll paid to an employee that resigned without having proper documentation authorizing such in the employees personnel file. All future termination payments will be closely reviewed for proper documentation.	Hugh King, City Administrator	6/30/2012
2011-12	2010	Policies and procedures should be implemented to ensure that adequate documentation of Louisiana Employee Withholding Exemption Certificate, Form L-4, and employee authorized deductions, if any, and that authorized pay rates are placed in personnel files.	Yes	The City will complete a thorough evaluation of all employee personnel files to ensure that all compliant data is available.	Tobi Droegemeier, Finance Director	12/31/2011
2011-13	2010	For the year ended June 30, 2010, the City's utility system collected sales taxes on sewer sales. Sewer sales are exempt from Louisiana sales tax. Although this practice has been discontinued, the City should make arrangements to recover sales tax monies remitted to the state since July 1, 2009. The City should also credit customer accounts for sales taxes incorrectly charged.	Yes	Since March 2011 the City was no longer collecting and remitting sales taxes on sewer sales and is working to recover sales tax monies in order to issue refunds.	Tobi Droegemeier, Finance Director	3/31/2011

(continued)

CITY OF LEESVILLE, LOUISIANA

**Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended June 30, 2011**

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Date of Completion</u>
CURRENT YEAR (06/30/11) --						
<u>Management Letter:</u>						
2011-14	Unknown	The City's system of tracking the compensated absences is not centralized. It was also noted that not all leave has to be approved before being taken. The City should develop and implement procedures to ensure that all employee leave is properly authorized and accounted for.	Yes	The City has developed and implemented procedures to ascertain that the recording of all absences is centralized and ensure that all employee leave is properly authorized and accounted for. The new accounting software is being used to accomplish much of this.	Tobi Droegemeier, Finance Director	12/31/2011
2011-15	2006	For fiscal year ending June 30, 2006, the City had questioned costs relating to overtime and equipment costs for the Police Department associated with hurricanes Katrina and Rita. There was an overstatement of costs associated with Hurricane Katrina of \$51,763 which was requested and received. Therefore, the City owed the federal government \$51,763 for overstated costs. For the year ended June 30, 2007, the City recorded a liability for the \$51,763 but did not properly remit the funds. As of June 30, 2011, these funds remain unpaid.		The City will first submit a formal request that this obligation be forgiven or, as an alternative, attempt to negate the impact of the liability by requesting a payment plan.	Hugh King, City Administrator	6/30/2012
2011-16	2011	Management should implement policies and procedures to ensure that proper documentation is maintained for all travel expenses. This documentation should include the public purpose of the travel and proper written approval.		Management will not approve any travel expenses for payment without the supporting documentation being submitted and approved.	Hugh King, City Administrator	6/30/2012

(continued)

CITY OF LEESVILLE, LOUISIANA

**Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended June 30, 2011**

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
<u>CURRENT YEAR (06/30/11) --</u>						
<u>Management Letter:</u>						
2011-17	2011	The City does not have formal written policies and procedures in place covering the processing of payroll transactions. The City should prepare and adopt policies and procedures detailing the processing of payroll transactions. This policy should address the approval process for timesheets and vacation and sick time used. This policy should also address the proper use of time clocks by hourly employees.		The City will adopt and implement policies and procedures for the processing of payroll transactions which will address the approval process for timesheets, vacation and sick time used, and the use of time clocks by hourly employees.	Hugh King, City Administrator	1/31/2012
2011-18	2011	The City's accounts payable/purchasing procedures do not discuss how vendors are added to the vendor list and there are no checks and balances to ensure compliance with the public bid law. In addition, the City does not have written policies and procedures for handling receipts. We recommend that someone separate from the purchasing function have authorization to add and/or delete vendors. In addition procedures need to be implemented to monitor compliance with the public bid law requirements. Policies and procedures for receiving, recording, and preparing deposits need to be adopted.		The City will evaluate it's software to determine if restrictions exist on adding or deleting vendors. The accounts payable/purchasing procedures will be changed accordingly. The City will implement procedures to monitor compliance with the public bid law requirements. The City will also adopt policies and procedures for receiving, recording, and preparing deposits.	Tobi Droegemeier, Finance Director	6/30/2012
2011-19	2011	Payroll taxes and/or employee withholdings were not being remitted timely.	Yes	Procedures are currently in place to make certain that all payroll taxes/withholdings are being remitted timely.	City Administrator	12/31/2011

(continued)

CITY OF LEESVILLE, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended June 30, 2011

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
<u>PRIOR YEAR (06/30/10) --</u>						
<u>Internal Control:</u>						
2010-1	Unknown	The City does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.	No	See current year finding 2011-1		
2010-2	2010	The City does not have adequate segregation of duties over cash receipts at the City's swimming pool. Procedures should be implemented to ensure adequate segregation of duties between the record keeping and cash custody functions.	Yes			
2010-3	2010	The City does not have adequate controls over grant accounting. Policies and procedures should be established in order to centralize grant record-keeping.	No	See current year finding 2011-2		
2010-4	Unknown	The City does not have procedures in place to compile an accounts payable listing.	Yes			

(continued)

CITY OF LEESVILLE, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended June 30, 2011

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
PRIOR YEAR (06/30/10) --						
<u>Internal Control:</u>						
2010-5	Unknown	The City lacks proper internal controls to ensure that inventory is properly accounted for. Procedures should be implemented to ensure that each department is properly charged for all inventory used.	Yes			
2010-6	Unknown	The accounting software has not been adapted to limit access to different modules to only those employees requiring access. There is currently no information system policy in place to address back-ups or a recovery plan in the event of a disaster. There is no log detailing changes to critical data and changes are not approved by the City administration.	Yes			
<u>Compliance:</u>						
2010-7	Unknown	The City of Leesville does not have adequate inventory records for capital assets and has not conducted physical inventories as required by LSA-RS 24:515. The city should establish and implement a policy for capital assets which includes a dollar threshold for items to be included in inventory and requires periodic physical inventories.	No	See current year finding 2011-5		

(continued)

CITY OF LEESVILLE, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended June 30, 2011

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
PRIOR YEAR (06/30/10) --						
<u>Compliance:</u>						
2010-8	2010	The City did not comply with the sinking fund deposit requirements for its various bond issues. The bond issues require that amounts be transferred monthly into the sinking fund accounts. The required transfers were not made in full to these accounts for the fiscal year ended June 30, 2010. It is recommended that the City fully comply with the sinking fund deposit transfers as required by the bond issues.	No	See current year finding 2011-6		
2010-9	2010	The City has not established separate bank accounts for the Sales Tax Bond Sinking Fund and the Sales Tax Bond Reserve Fund required by the Sales Tax Revenue Public Improvement Bonds, Series 2005. Currently, one bank account is being utilized for both of the bond funds.	No	See current year finding 2011-7		
2010-10	2010	State law requires audit reports to be completed and submitted six months after the fiscal year. The City's audit report was not complete until after the deadline imposed by State law.	Yes			

(continued)

CITY OF LEESVILLE, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended June 30, 2011

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
PRIOR YEAR (06/30/10) --						
<u>Compliance:</u>						
2010-11	2010	The City did not amend the General Fund budget in accordance with LSA-RS 39:1311(A)(2) that states when total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year are exceeding the total budgeted expenditures by five percent or more, the budget must be amended. Total expenditures exceeded budgeted expenditures by 34% or \$604,258.	Yes			
2010-12	2010	The City did not amend the Public Safety Special Revenue Fund budget in accordance with LSA-RS 39:1311(A)(2) that states when total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year are exceeding the total budgeted expenditures by five percent or more, the budget must be amended. Total expenditures exceeded budgeted expenditures by 38% or \$1,140,564.	No	See current year finding 2011-8		

(continued)

CITY OF LEESVILLE, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended June 30, 2011

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
PRIOR YEAR (06/30/10) --						
<u>Compliance:</u>						
2010-13	2010	The City did not amend the Vernon Communication District Special Revenue Fund budget in accordance with LSA-RS 39:1311(A)(2) that states when total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year are exceeding the total budgeted expenditures by five percent or more, the budget must be amended. Total expenditures exceeded budgeted expenditures by 31% or \$161,459.	Yes			
<u>Management Letter:</u>						
2010-14	2010	The City did not comply with personnel policies and procedures governing vacation and sick leave. During the year ended June 30, 2010, three retiring employees were paid accumulated vacation and sick leave of \$73,934 in excess of the maximum allowed under the policy.	No	See current year finding 2011-11		

(continued)

CITY OF LEESVILLE, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings and Corrective Action Plan (Continued) Year Ended June 30, 2011

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
<u>PRIOR YEAR (06/30/10) --</u>						
<u>Management Letter:</u>						
2010-15	2010	The City's governmental funds experienced a deficiency during the current year of \$1,096,585. Also the City's proprietary funds experienced a deficiency during the current year of \$306,404. The City should evaluate operations to determine methods to increase revenues and/or reduce expenditures in order to operate at a surplus.	Yes			
2010-16	2010	Policies and procedures should be implemented to ensure that adequate documentation of Louisiana Employee Withholding Exemption Certificate, Form L-4, and employee authorized deductions, if any, and that authorized pay rates are placed in personnel files.	No	See current year finding 2011-12		
2010-17	Unknown	While reviewing the City's bank reconciliations, it was noted that the City is carrying outstanding checks that are greater than one year old on some of its accounts. Management should examine each outstanding item and void outstanding checks as needed in order to properly reflect a more accurate cash balance. We recommend that management establish a formal, written policy concerning outstanding checks based on current escheat laws.	Yes			

(continued)

CITY OF LEESVILLE, LOUISIANA

**Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended June 30, 2011**

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Date of Completion</u>
PRIOR YEAR (06/30/10) --						
<u>Management Letter:</u>						
2010-18	2010	For the year ended June 30, 2010, the City's utility system collected sales taxes on sewer sales. Sewer sales are exempt from Louisiana sales tax. The City should discontinue this practice immediately and make arrangements to recover sales tax monies remitted to the state since July 1, 2009. The City should also credit customer accounts for sales taxes incorrectly charged.	Partial	See current year finding 2011-13		
2010-19	2010	Utility customers who are delinquent and have been discontinued and subsequently written off should be given inactive status in the utility billing system. Inactive customers should never be deleted from the system.	Yes			
2010-20	2010	Franchise tax revenue for the year ended June 30, 2010 decreased significantly. Management should consider verifying the amounts used by the utility companies in computing the remittances made to the City.	Yes			
2010-21	2010	The City should establish procedures that prohibit employees from reading their own utility meter and also from posting payment to their own accounts.	Yes			

(continued)

CITY OF LEESVILLE, LOUISIANA

Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)
Year Ended June 30, 2011

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated Date of Completion
PRIOR YEAR (06/30/10) --						
<u>Management Letter:</u>						
2010-22	2010	During the year ended June 30, 2010, several employees were charged the incorrect amount as a payroll deduction for group health insurance. Efforts should be made to verify all group insurance payroll deductions for accuracy and to properly correct all discrepancies.	Yes			
2010-23	Unknown	The City's system of tracking the compensated absences is not centralized. It was also noted that not all leave has to be approved before being taken. The City should develop and implement procedures to ensure that all employee leave is properly authorized and accounted for.	No	See current year finding 2011-14		
2010-24	2006	For fiscal year ending June 30, 2006, the City had questioned costs relating to overtime and equipment costs for the Police Department associated with hurricanes Katrina and Rita. There was an overstatement of costs associated with Hurricane Katrina of \$51,763 which was requested and received. Therefore, the City owed the federal government \$51,763 for overstated costs. For the year ended June 30, 2007, the City recorded a liability for the \$51,763 but did not properly remit the funds. As of June 30, 2010, these funds remain unpaid.	No	See current year finding 2011-15		

(continued)

CITY OF LEESVILLE, LOUISIANA

**Summary Schedule of Current and Prior Year Audit Findings
and Corrective Action Plan (Continued)**
Year Ended June 30, 2011

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Date of Completion</u>
PRIOR YEAR (06/30/10) --						
<u>Management Letter:</u>						
2010-25	2010	During the year ended June 30, 2010, there were several ineligible participants included in the group health plan. The City should review the participant listing for the group health plan for eligibility to ensure that all individuals receiving coverage are eligible to do	Yes			

CITY OF LEESVILLE, LOUISIANA

INDEPENDENT AUDITORS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

Fiscal Year Ended June 30, 2011

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Russell F. Champagne, CPA*
Victor R. Slaven, CPA*
P. Troy Courville, CPA*
Gerald A. Thibodeaux, Jr., CPA*
Robert S. Carter, CPA*
Arthur R. Nixon, CPA*

Tynes E. Nixon, Jr., CPA
Allen J. LaBry, CPA
Albert R. Leger, CPA, PFS, CSA*
Penny Angela Scruggins, CPA
Christine L. Gousin, CPA
Mary T. Thibodeaux, CPA
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James R. Roy, CPA
Robert J. Metz, CPA
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Cheryl L. Bartlow, CPA
Mandy B. Self, CPA
Paul L. Delcambre, Jr., CPA
Wanda F. Arcement, CPA, CVA
Kristin B. Douzat, CPA
Richard R. Anderson Sr., CPA
Carolyn C. Anderson, CPA
Matthew E. Margaglio, CPA
Jane R. Hebert, CPA

Retired:
Conrad O. Chapman, CPA* 2008
Harry J. Cloasio, CPA 2007

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. C. Robert Rose, Mayor
and Members of the City Council
Leesville, Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below, which were agreed to by the management of the City of Leesville, Louisiana and the Legislative Auditor, State of Louisiana, solely to assist the users in evaluating management's assertions about the City of Leesville, Louisiana's compliance with certain laws and regulations during the period ended June 30, 2011 included in the accompanying *Louisiana Attestation Questionnaire*. Management of the City of Leesville, Louisiana is responsible for its financial records and compliance with applicable laws and regulations. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specific users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

I. Financial Management

1. Determine if management (chief executive and board members) was presented with timely and accurate monthly financial statements, including budget-to-actual comparisons on funds (General Fund, Special Revenue Fund, Utility Fund, etc.) of the entity, during the year under examination.

The board was not provided monthly financial statements with budget to actual comparisons until April 2011. Prior to April, the board was only presented with a schedule of bills to be paid along with the supporting documentation for each invoice.

A new administration took office on July 1, 2010. Not only did the City have a new Mayor, but the majority of the staff was also new employees. The Accounting Manager, who had been with the City for approximately 20 years, retired effective June 30, 2010. A new Accounting Manager was hired September 2010. This individual was not provided adequate training and had no previous governmental accounting experience. This employee resigned in February 2011 and was not replaced until late March 2011. The City also experienced similar turnover in the City Administrator position.

The lack of stability in staffing and the lack of proper training attributed to the City's inability to present timely and accurate financial statements. Financial statements are presently being presented.

2. If management was deficit spending during the period under examination, determine if there is a formal/written plan to eliminate the deficit spending and whether management is monitoring the plan.

Based upon discussions with the City Administrator, the City has no formal/written plan to eliminate deficit spending as of June 30, 2011. The current administration has taken many measures to reduce spending since taking office in July 1, 2010. They feel currently that they have eliminated deficit spending. Administration is continuing to look at all facets of operations for areas of improvement and/or reduce spending or take cost saving measurements. As of the date of this report, the audit report for the fiscal year ended June 30, 2011 does show that total governmental revenues of all funds exceeded total expenditures.

3. Determine if there are written policies and procedures for the following financial/business functions of the entity:

- a. Budgeting, including preparing, adopting, monitoring, and amending the budget

The City has written policies and procedures covering budgeting.

- b. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) checks and balances to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

The City has formal written accounts payable policies and procedures. The written policies and procedures do not cover how vendors are added to the vendor list and there are no checks and balances to ensure compliance with the public bid law.

- c. Disbursements, including processing, reviewing, and approving

The City has written policies and procedures covering the disbursement function.

- d. Receipts, including receiving, recording, and preparing deposits

Based upon inquiries of the Finance Director, the City currently has no written policies and procedures for handling receipts as of June 30, 2011.

II. Credit Cards

1. Obtain from management a listing of all active credit cards (and bank debit cards if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards.

We obtained a listing of all active credit cards for the period under examination. The document was prepared by the Accounts Payable Clerk. The City utilizes three types of credit cards, general credit such as VISA or MasterCard, store credit such as Wal-Mart, Office Depot, or Sam's Club, and fuel such as Fuelman and Exxon.

2. Obtain and review the entity's written policies and procedures for credit cards (and debit cards if applicable) and determine if the following is addressed:
 - How cards are to be controlled
 - Allowable business uses
 - Documentation requirements
 - Required approvers
 - Monitoring card usage

The City currently does not have any detailed written policies and procedures for credit cards or fuel track cards. The accounts payable policies and procedures briefly mention credit card documentation requirements.

3. Obtain the monthly statements for all credit cards (general, stores, and gasoline) used during the period under examination and select for detailed review, the two largest (dollar amount) statements for each card. (Note: For a debit card, select the two monthly bank statements with the largest dollar amount of debit charges):

The monthly statements for all credit cards used during the period under examination were obtained. The two largest (dollar amount) statements for each card were selected for detailed testing. The City currently uses five credit cards and 120 credit card transactions were tested.

- A. Obtain the entity's supporting documentation for the purchases/charges shown on the selected monthly statements:

- Determine if each purchase is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)

Of the 120 transactions tested, five purchases were not supported by an original itemized receipt. The City does not require departments to turn in receipts for fuel purchases using the fuel track cards.
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)

Of the 120 credit card transactions tested, five purchases were not supported by documentation of the business/public purpose.
 - Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)

There were no exceptions noted as a result of procedures performed.

- Determine if each purchase is:
 - In accordance with thresholds or guidelines established in the policies and procedures
There were no exceptions noted as a result of procedures performed.
 - For an appropriate and necessary business purpose relative to the entity
There were no exceptions noted as a result of procedures performed.
- Determine if any purchases were made for personal purposes. If there are purchases made for personal purposes, determine the date(s) of reimbursement.
There were no exceptions noted as a result of procedures performed.
- Determine if any purchases effectively circumvented the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids or quotes).
There were no exceptions noted as a result of procedures performed.

- B. Determine if there was any duplication of expenses by comparing all travel and related purchases to the appropriate person's expense reimbursement report(s).

There were no exceptions noted as a result of procedures performed.

- C. Determine if each monthly credit card statement (including supporting documentation) was reviewed and approved, in writing, by someone other than the person making the purchases. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality.)

Of the 120 credit card transactions tested, five purchases were not supported by written approval from a department head or the City Administrator.

- D. Determine if finance charges and/or late fees were assessed on the monthly statements.

There were no exceptions noted as a result of procedures performed.

III. *Travel and Expense Reimbursement*

1. Obtain and review the entity's written policies and procedures for travel and expense reimbursement and determine if the following is addressed:
 - a. Allowable expenses
 - b. Dollar thresholds by category of expense
 - c. Documentation requirements
 - d. Required approvers

There were no exceptions noted as a result of procedures performed.

2. Obtain a listing of all travel and related expense reimbursements during the period under examination and select for review, the one person who was reimbursed the most money:

A. Obtain all of the expense reimbursement reports of the selected person, including the supporting documentation, and select the three largest (dollar) expense reports to review in detail (Note: If there are only three or less expense reports, review all (100%) of them.):

- Determine if each expenditure is:
 - Reimbursed in accordance with written policy (e.g., rates established for meals, mileage, lodging, etc

There were no exceptions noted as a result of procedures performed.

- In accordance with thresholds or guidelines established in the policies and procedures

There were no exceptions noted as a result of procedures performed.

- For an appropriate and necessary business purpose relative to the travel

Of the eleven travel expenses tested, five did not have documentation detailing the business/public purpose of the trip.

- Determine if each expenditure is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)
[Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) generally does not require a receipt.]

There were no exceptions noted as a result of procedures performed.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)

Of the eleven travel expenses tested, five did not have documentation detailing the business/public purpose of the trip.

- Other documentation as may be required by policy (e.g., authorization for travel, conference brochure, certificate of attendance, etc.)

There were no exceptions noted as a result of procedures performed.

- Determine if any of the expenditures were for personal purposes (e.g., extended hotel stays before or after training class, meals for spouses, entertainment, etc.).

There were no exceptions noted as a result of procedures performed.

- Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Of the eleven travel expenses tested, four were not properly approved in writing by the City Administrator.

- B. Determine if there was any duplication of expenses by comparing the expense reports to charges/purchases made on credit card(s).

There were no exceptions noted as a result of procedures performed.

IV. Contracts

1. Obtain and review the entity's written policies and procedures for contracts/contracting, including leasing, and determine if the following is addressed:

- Types of services requiring written contracts
- Standard terms and conditions
- Legal review
- Approval process
- Monitoring process

The City currently does not have written policies and procedures for contracts/contracting, including leasing.

2. Determine if the entity has centralized control and oversight of contracts to ensure that services/deliverables received and payments made comply with the terms and conditions of the contracts.

The City does not have centralized control and oversight of contracts to ensure that services/deliverables received and payments made comply with the terms and conditions of the contracts. The City's contracts are located in multiple locations within the administrative offices and no one person knows how to locate them.

3. Obtain and review the accounting records (e.g., general ledgers, accounts payable vendor history reports, invoices, etc.) for the period under examination to identify individuals/businesses being paid for contracted services (e.g., professional, technical, etc.). Select the five "vendors" that were paid the most money during the period and for each:

- Determine if there is a formal/written contract that supports the services arrangement and the total amount paid.

There were no exceptions noted as a result of procedures performed.

- Determine the business legitimacy of the vendor if not known by the auditor (e.g., look-up the vendor on the LA Secretary of State's website).

There were no exceptions noted as a result of procedures performed.

4. Obtain a listing of all active contracts and the expenditures made during the period under examination. Select for detailed review, the largest (dollar amount) contract in each of the following categories that was entered into during the period.

- (1) Services
- (2) Materials and supplies
- (3) Public works

There were no exceptions noted as a result of procedures performed.

A. Obtain the selected contracts and the related paid invoices and:

- Determine if the contract is a related party transaction.

There were no exceptions noted as a result of procedures performed.

- Determine if the transaction is subject to the Louisiana Public Bid Law:

- If yes, determine if the entity complied with all requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder, etc.)

There were no exceptions noted as a result of procedures performed.

- If no, determine if the entity provided an open and competitive atmosphere (a good business practice) for the transaction/work.

There were no exceptions noted as a result of procedures performed.

- Determine if the contract was awarded under the *request for proposals* (RFP) method. If done so, obtain all proposals and the evaluation/scoring documents to determine if the contract was awarded to the most responsible offeror whose proposal was the most advantageous taking into consideration price and other evaluation factors set forth in the *request for proposals*.

This attribute was not applicable to the contract tested.

- Determine if the procurement was made “off” state contract (as opposed to following the competitive bidding requirements of the Louisiana Public Bid Law). If done so, determine if the board formally adopted the use of the Louisiana Procurement Code (R.S. 39:1551-1755), the set of laws that govern most state agencies’ purchases of certain services, materials and supplies, and major repairs.

This attribute was not applicable to the contract tested.

- Determine if the procurement related to homeland security and was made from federal General Services Administration (GSA) supply schedules. If done so, determine if the entity (1) utilized a Louisiana licensed distributor; (2) used the competitive ordering procedures of the federal GSA; and (3) received prior approval from the director of the State Office of Homeland Security and Emergency Preparedness, or his designee.

This attribute was not applicable to the contract tested.

- Determine if the entity “piggybacked” onto another agency’s contract. If done so, determine if there is documentation on file that clearly demonstrates the contract was a previously bid, viable contract and the price paid by the entity was the same as that contract’s bid price.

This attribute was not applicable to the contract tested.

- Determine if the contract was amended. If done so, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amendment is outside the scope of the original contract, and if so, whether it should have been separately bid and contracted.

This attribute was not applicable to the contract tested.

- Determine if the invoices received and payments made during the period complied with the terms and conditions of the contract.

There were no exceptions noted as a result of procedures performed.

- Determine if there is written evidence that the entity’s legal advisor reviewed the contract and advised entering into the contract.

There was no documentation available to determine if the City’s legal advisor reviewed the contract and advised prior to entering into the contract.

- Determine if there is documentation of board approval, if required.

There were no exceptions noted as a result of procedures performed.

V. Payroll and Personnel

1. Obtain and review the entity's written policies and procedures for payroll and personnel and determine if they address the processing of payroll, including reviewing and approving of time and attendance records, including leave and overtime worked.

The City does have written personnel policies and procedures but they do not specifically cover the details of processing payroll.

2. Obtain a listing of employment contracts/agreements in force during the period under examination. Select the largest (dollar amount) employment contract and determine if all payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract.

There was only one employment contract in place. The City of Leesville is under an intergovernmental agreement with the City of DeRidder, Louisiana for the use of one of their Police Lieutenants as a special officer in the Leesville Police Department. All payments issued to the City of DeRidder for the Lieutenant were done in strict accordance with the terms and conditions of the contract.

3. Select the attendance and leave records for one pay period and:

- Determine if all employees are documenting their daily attendance and leave (e.g., vacation, sick, etc.). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Of the 115 employees tested, four employee timesheets were not located by the City employees.

- Determine if supervisors are approving, in writing, the attendance and leave of all employees.

As a result of procedures performed, it was discovered that the time clocks in the Public Works department are not being utilized properly. Several employees are not utilizing the time clocks. Also, those employees utilizing the time clocks are not doing so consistently. This failure to consistently utilize the time clocks results in inaccurate and incomplete time records. The time cards are also not approved by anyone at the end of the pay period. The Public Works Secretary prepares a spreadsheet tracking employee attendance on a daily basis. At the end of the pay period a summary of this spreadsheet is approved by the Public Works Director.

- Determine if the entity is maintaining accurate written leave records (e.g., hours earned, hours used, and balance available) on all eligible employees.

There were no exceptions noted as a result of procedures performed.

4. Select the five highest paid employees and determine if changes made to their hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy.

Of the five highest paid employees tested, there was no documentation of pay rates used for the 2010-2011 fiscal year for one of the employees tested. The last payroll change notice was in 2007.

5. Select the five largest termination payments (e.g., vacation, sick, compensatory time, etc.) made during the period under examination. Determine if the payments were supported by documentation, made in strict accordance with policy and/or contract, and properly approved.

Of the five largest termination payments tested, one employee was paid sick leave even although he was not eligible according to the City's policy. The policy states that only upon retirement may an employee be paid for accumulated sick leave. There was no evidence of approval of this exception to the policy contained in the employee's personnel file. Based upon discussion with the City Administrator, he does not recall authorizing the payment.

6. Determine if any employees were also being paid as contract labor during the period of the examination.

There were no exceptions noted as a result of procedures performed.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the management of the City of Leesville, Louisiana and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 16, 2011

City of Leesville
Management's Corrective Action Plan
June 30, 2011

I. Financial Management

Finding – Question 3(b): The accounts payable policies and procedures do not cover how vendors are added to the vendor list and there are no checks and balances to ensure compliance with the public bid law.

Recommendation: We recommend that someone separate from the accounts payable clerk be authorized to add or delete vendors. The accounts payable clerk should not have access to change the vendor list. Someone independent of the purchasing function should have the responsibility to oversee the purchasing function to make sure that the City is complying with the City's purchasing requirements and/or public bid law requirements.

Corrective Action Plan: We will get with our computer consultants to see if we have the general controls in our software to limit access to changing vendors. If not, we will assign someone independent of the purchasing function to authorize all changes to the vendor list and to monitor such on an ongoing basis. In addition we will assign someone independent of the purchasing function to monitor compliance with the public bid law requirements.

Finding – Question 3(d): The City has no written policies and procedures for receipts, including receiving, recording, and preparing deposits.

Recommendation: We recommend that the City adopt policies and procedures for receipts, including receiving, recording, and preparing deposits. Segregation of duties needs to be considered, while drafting these policies and procedures. Someone independent of the depositing and recording of receipts should stamp all checks for deposit only and list all receipts received in the mail. Subsequently the list should be compared to the actual deposits.

Corrective Action Plan: We will implement the auditor's recommendations.

II. Credit Cards

Finding – Question 2: The accounts payable policies and procedures briefly mention processing credit cards receipts for payment.

Recommendation: We recommend that either the accounts payable policies and procedures be expanded or a separate credit cards policy be adopted. The following items should be addressed: how cards are to be controlled, allowable business uses, documentation requirements, required approvers, and monitoring card usage.

Corrective Action Plan: The City will adopt and implement written policies and procedures covering the use of credit cards and fuel cards. The credit and fuel card usage policy will address how credit and fuel cards are to be controlled, define allowable business use and charges, define a method for monitoring usage and required approvals and proper documentation.

City of Leesville
Management's Corrective Action Plan
June 30, 2011

Finding – Question 3(A): Five of the 120 credit card transactions reviewed were not supported by the original receipt and/or supporting documentation of the business/public purpose. The City does not require departments to turn in receipts for fuel purchases with using the fuel track cards.

Recommendation: We recommend that the City enforce its policy that credit card expenditures do not be accepted and paid for unless all the required documentation is submitted. If the employee cannot provide adequate documentation such amounts charged on the credit card should be reimbursed by the employee. Consider having the employees who use credit cards sign an authorization form authorizing the City to withhold unallowable credit cards charges from payroll as a deduction if the policy is not adhered to.

Corrective Action Plan: We will implement the auditor's recommendations.

Finding - Question 3(C): Five of the 120 credit card transactions were not supported by written approval from a department head or the City Administrator.

Recommendation: All credit card transactions should be approved by a department head and/or the City Administrator.

Corrective Action Plan: All credit card transactions will be closely reviewed to make sure that such transactions have the proper documentation of approval by a department head and/or by the City administrator.

III. *Travel and Expense Reimbursement*

Finding – Question 2(A): Five of the eleven travel expense reimbursements did not have the appropriate and necessary business purpose of the travel and four were not approved by the City Administrator. All of the expenditures appear to be related to City business even though the business purpose was not documented on the receipts.

Recommendation: We recommend that business/public purpose be documented for all travel reimbursements and for meal charges, there should be documentation of the individuals participating.

Corrective Action Plan: Travel expenses not properly documented and approved will not be reimbursed to the employee similar to credit card expenditures not properly documented.

IV. *Contracts*

Finding – Questions 1 and 2: The City does not have written policy and procedures for contracts/contracting, including leasing. The City does not have centralized control and oversight of contracts.

City of Leesville
Management's Corrective Action Plan
June 30, 2011

Recommendation: The City needs to have written policies and procedures detailing what types of services requires written contracts, standard terms and conditions, whether legal review is required or not, and approval and monitoring process. Someone should maintain a list of contractual obligations summarizing the contractor, contact information, contract period/renewal period, responsible party, terms and conditions, etc.

Corrective Action Plan: The City will adopt and implement policies and procedures whereas someone is specifically identified with oversight responsibility of all contracts and that a list of all contracts is maintained summarizing significant provisions of such contracts.

V. Payroll and Personnel

Finding – Question 1: The City does have written personnel policies and procedures but they do not specifically cover the details of processing payroll.

Recommendation: We recommend that the personnel policies and procedures be expanded to include the steps of processing and approving payroll.

Corrective Action Plan: The personnel policies and procedures will be expanded to include the steps of processing and approving payroll.

Finding – Question 3: Of the 115 employees tested, four employee timesheets could not be located and it was discovered that public works employees are not utilizing the time clocks consistently.

Recommendation: We recommend that timesheets be submitted and maintained for all employees who are required to prepare one. Administration should meet with the Public Works Department Supervisor and determine an appropriate and accommodating employee time recordkeeping system and incorporate such in the City's policies and procedures.

Corrective Action Plan: The City will implement the auditor's recommendation.

Finding – Question 4: Of the five highest paid employees tested, there was no documentation to support the pay rates used for the 2010-2011 fiscal year compensation in the personnel folder for one employee.

Recommendation: - All personnel files should have the supporting documentation authorizing the employee's compensation.

Corrective Action Plan: All personnel files will be reviewed to make sure the supporting documentation supporting the employee's compensation is in the file. The personnel files will be kept updated.

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MANAGEMENT LETTER

The Mayor and the City Council
 City of Leesville
 Leesville, Louisiana

During our audit of the basic financial statements of the City of Leesville, Louisiana (City) for the year ended June 30, 2011, we noted certain areas in which improvements in the accounting system and financial practices of the City should be considered.

- 2011-11 The City did not comply with personnel policies and procedures governing vacation and sick leave. During the fiscal year ended June 30, 2011, one employee was paid accumulated sick leave. This employee was not eligible for such a payment under the City's policy, and there was no written approval from the City Administrator maintained within the personnel files.
- 2011-12 Policies and procedures should be implemented to ensure that adequate documentation of Louisiana Employee Withholding Exemption Certificate, Form L-4, and employee authorized deductions, if any, and that authorized pay rates are placed in personnel files.
- 2011-13 For the year ended June 30, 2010, the City's utility system collected sales taxes on sewer sales. Sewer sales are exempt from Louisiana sales tax. Although this practice has been discontinued, the City should make arrangements to recover sales tax monies remitted to the state since July 1, 2009. The City should also credit customers' accounts for sales taxes incorrectly charged.
- 2011-14 The City's system of tracking the compensated absences is not centralized. It was also noted that not all leave has to be approved before being taken. The City should develop and implement procedures to ensure that all employee leave is properly authorized and accounted for.
- 2011-15 For the fiscal year ending June 30, 2006, the City had questioned costs relating to overtime and equipment costs for the Police Department associated with hurricanes Katrina and Rita. There was an overstatement of costs associated with Hurricane Katrina of \$51,763 which was requested and received. Therefore, the City owed the federal government \$51,763 for overstated costs. For the year ended June 30, 2007, the City recorded a liability for the \$51,763 but did not properly remit the funds. As of June 30, 2011, these funds remain unpaid.

- 2011-16 Management should implement policies and procedures to ensure that proper documentation is maintained for all travel expenses. This documentation should include the public purpose of the travel and proper written approval.
- 2011-17 The City does not have formal written policies and procedures in place covering the processing of payroll transactions. The City should prepare and adopt policies and procedures detailing the processing of payroll transactions. This policy should address the approval process for timesheets and vacation and sick time used. This policy should also address the proper use of time clocks by hourly employees.
- 2011-18 The City's accounts payable/purchasing procedures do not discuss how vendors are added to the vendor list and there are no checks and balances to ensure compliance with the public bid law. In addition, the City does not have written policies and procedures for handling receipts. We recommend that someone separate from the purchasing function have authorization to add and/or delete vendors. In addition procedures need to be implemented to monitor compliance with the public bid law requirements. Policies and procedures for receiving, recording, and preparing deposits need to be adopted.
- 2011-19 Payroll taxes and/or employee withholdings were not being submitted timely. We recommend that the City Administrator and Finance Director make certain there are procedures in place to make certain that payroll taxes continue to be deposited timely without exception.

We would like to express our appreciation to you and your staff, particularly your office staff, for the courtesies and assistance rendered to us in the performance of our audit. Should you have any questions or need assistance, please feel free to contact us.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Lafayette, Louisiana
December 16, 2011